

**QUANTUM CLOTHING GROUP
Limited**

**Annual Report and Financial
Statements**

For the year ended 31 March 2018



QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Omar
T Jayasekera
D Gooneratne

COMPANY SECRETARY

D Walsh (resigned 26 April 2017)

REGISTERED OFFICE

Unit 12 Wheatcroft Business Park
Landmere Lane
Edwalton
Nottingham
NG12 4DG

BANKERS

HSBC Bank plc
Client Manager Europe
62-76 Park Street
London
SE1 5AB

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cornwall Court
19 Cornwall Street
Birmingham
B3 2DT

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their Annual Report and the audited financial statements of Quantum Clothing Group Limited for the year ended 31 March 2018.

REVIEW OF THE BUSINESS AND PRINCIPAL ACTIVITIES

The principal activity of the company is the design, sourcing and supply of quality apparel products. The directors aim to present a balanced and comprehensive review of the development and performance of the business during the year and its position at the year end. This review is consistent with the size and nature of the business and is written in the context of the risks and uncertainties that the business faces.

Last financial year, Bramhope Group Holdings Limited (a parent undertaking) had entered into negotiations to divest its trading subsidiary Quantum Clothing Group Limited from immediate parent Accorden Holdings Limited. For this financial year, Quantum Clothing Group Limited's shares were sold to its subsidiary of Quantum Clothing Lanka (Private) Limited fully. Currently Quantum Clothing Lanka (Private) Limited is the holding company and the transaction took place on 26th of April 2017.

The directors consider that the key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being revenue and profit/(loss) margins, as follows:

	2018	2017	Change
	USD	USD	%
	'000	'000	
Continuing operations			
Revenue	52,858	54,431	(2.9)
Operating loss	(4,853)	(8,745)	44.5
Loss for the financial year	(4,922)	(6,242)	21.1
Discontinued operations			
Profit for the financial year	-	349	(100.0)
Loss for the financial year	(4,922)	(5,893)	16.5

The continuing operations of the company shows a 2.9% decrease in revenue compared to the previous year. Operating loss was significantly reduced from \$8,745,000 to \$4,853,000 mainly due to the impact of the employees head count & overhead restructuring.

PRINCIPLE RISKS AND UNCERTAINTIES

The company has a senior management committee that meets monthly and which evaluates the company's risk appetite. The principal risks and uncertainties facing the company are broadly grouped as competitive risk, financial instrument risk and exposure to price credit, liquidity and cash flow risk.

As at the 31 March 2018 the company held net liabilities of \$5,507,000 (2017: \$585,000).

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

PRINCIPAL RISKS AND UNCERTAINTIES (CONTINUED)

- **Competitive Risks**

The company has a small number of UK and European based customers. This allows the business to focus its attention on satisfying these customers at the highest level whilst minimising the overheads and, therefore, the financial risks associated with it.

The principal competitive risk comes from the small number of direct competitors in this market, who are of a quality and magnitude to compete on price and innovation. Whilst price is always a competitive challenge the business is well positioned geographically and in its relationships with its suppliers to remain highly competitive. The company's dedication and reputation for high class innovation means that it is able to mitigate some of this price based competition and also compete in the more lucrative high end products.

- **Financial Risk Management**

This note explains the Company's exposure to financial risks and how these risks could affect the Company's future financial performance.

The principal financial instruments of the Company comprise of bank loans, short term deposits and cash. The main purpose of these finance instruments is to raise and maintain liquidity for the Company's operations, and maximize returns on the Company's financial reserves. The Company has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

The Company is exposed to a variety of financial risks including currency risk, price, credit, liquidity and cash flow risk.

- **Foreign exchange risk**

The company is exposed to foreign currency exchange risk by way of settling its UK payroll and expenses in GBP. A senior management committee, which has been in place for several years, considers this exposure on a regular basis. The foreign exchange markets are reviewed on a daily basis by reference to various institutional reports which are considered alongside weekly reviews with our bankers and independent foreign exchange advisors.

- **Price risk**

Price risk arises on financial instruments because of fluctuations in global foreign currency markets.

- **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. The company has a small number of major High Street retailers as customers. Whilst the business recognises that this is no guarantee of quality of debt, the business continually reviews the situation, through the press, public accounts and its close business relationships with its customers. The businesses covered are considered to be of the highest standing with very well established payment history and unquestionable credit worthiness. Company's debtor days was reduced to 36 days at 31 March 2018 (2017: 78 days) due to customer composition change.

- **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The company manages liquidity risk via trade facilities and short term and long term debt.

- **Cash flow risk**

Cash flow is the risk of exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability such as global foreign currency markets. The group manages this risk, where significant, by use of derivatives as explained above.

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

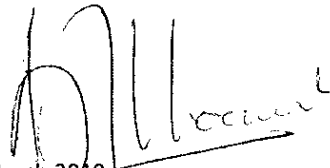
EXCEPTIONAL ITEMS

During the year the company realised a gain of \$1,809,000 (2017: \$3,726,000) in respect of exceptional items, \$1,443,000 (2017: \$ nil) gain due to the disposal of investment held in Quantum Clothing Lanka (Pvt) Ltd and \$366,000 (2017: \$nil) gain on settlement of a working capital facility relating to the sale agreement, \$nil (2017: \$2,591,000) gain due to the disposal of investments held in subsidiary undertakings, \$nil (2017: \$75,000) gain due to discontinued operations of the Shirts business, \$nil (2017: \$820,000) due to a loss on disposal of a 3.38% stake in Brandix India Apparel City (PVT) Limited and a gain of \$nil (2017 : \$1,880,000) charge relating to various steps taken to improve the operational efficiencies of the business.

POST BALANCE SHEET EVENTS

No circumstances have been arisen since the balance sheet date which would require adjustments to, or disclosure in the financial statements.

Approved by the Board of Directors and signed on their behalf:



20 March 2019

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their Annual Report and the audited financial statements for the year ended 31 March 2018.

GOING CONCERN

In the opinion of directors, it is appropriate to prepare the financial statements on the going concern basis as the current shareholders of the company have agreed to provide continuing financial support for a period of at least twelve months from the date on which these financial statements were signed.

FUTURE DEVELOPMENTS

Competition in this business is fierce as always. The focus is on innovation and new product introduction beyond the intimates wear with focus on sports and Athleisure business would drive sales outside the European market with significant focus on US & Canadian customers. The shift in portfolio towards US & Canadian markets and the new products with higher margin is expected to drive profitability.

DIRECTORS

The directors who held office during the year and up to the date of signing the financial statements were as follows:

N J Lugg	(resigned 26 April 2017)	A Omar	(appointed 26 April 2017)
R Hardy	(resigned 26 April 2017)	D Gooneratne	(appointed 26 April 2017)
		T Jayasekera	(appointed 26 April 2017)

ENVIRONMENTAL POLICY

Quantum Clothing Group Limited recognise the importance of minimising the environmental impact of its business and requires local management to take responsibility for environmental performance. Customers and the general public can feel confident that this is happening as the company adheres to its Environmental Policy at all levels.

The company will:

- Ensure that its operations comply with the existing legislation of the countries in which it operates.
- Deal with environmental issues either at, or as close to, their source as practically possible.
- Minimise the use of resources and the creation of waste wherever possible and practical.
- Re-cycle and re-use materials wherever possible.
- Communicate its environmental policy and best practice to all its employees for implementation.

ETHICAL POLICY

The company has embarked upon a course to establish itself as a world leader in implementing and driving ethical standards and high standards of labour practices. Our policy is to exceed International Standards, as we believe we have a social responsibility to help educate and personally develop all of our employees. We go to great lengths to ensure that all local and international ethical standards are achieved and maintained.

Our factories manufacture worldwide to high standards of working conditions, environmental awareness, health, safety and security. All our employees are treated with respect and their basic human rights are protected and promoted. We have set up a framework to comply with all local and national laws and regulations. In order to verify our high standards to customers, we carry out regular internal, as well as third party, audits on our factories.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

DONATIONS

During the year the company made no charitable donations (2017: \$nil).

DIVIDENDS

There was no interim or final dividend approved or paid during the year (2017: \$nil), no dividend income received for the year (2017: \$39,000 received from a subsidiary company, Quantum Clothing Lanka (PVT) Limited.)

DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the directors' report is approved:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

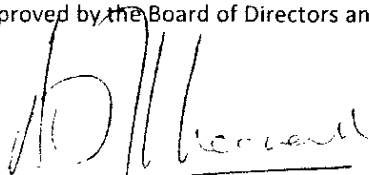
QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)

INDEPENDENT AUDITORS

The auditors PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

Approved by the Board of Directors and signed on their behalf:

A handwritten signature in black ink, appearing to read 'A. J. McNeill', is written over a horizontal line.

20 March 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUANTUM CLOTHING GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion, Quantum Clothing Group Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 March 2018; the income statement, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

- **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

CONCLUSIONS RELATING TO GOING CONCERN

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUANTUM CLOTHING GROUP LIMITED (CONTINUED)

REPORTING ON OTHER INFORMATION

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

- **Strategic Report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

- **Responsibilities of the directors for the financial statements**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF QUANTUM CLOTHING GROUP LIMITED (CONTINUED)

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT (CONTINUED)

- **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

- **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Sarah Phillips

Sarah Phillips (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
21 March 2019

QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

INCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2018

	Note	Continuing operations 2018 USD '000	Discontinued operations 2018 USD '000	Total 2018 USD '000	Continuing operations 2017 USD '000	Discontinued operations 2017 USD '000	Total 2017 USD '000
Revenue	4	52,858	-	52,858	54,431	27,048	81,479
Cost of sales		(57,401)	-	(57,401)	(62,163)	(25,312)	(87,475)
Gross (loss)/profit		(4,543)	-	(4,543)	(7,732)	1,736	(5,996)
Distribution costs		(193)	-	(193)	(1,596)	(258)	(1,854)
Administrative expenses							
Recurring		(2,210)	-	(2,210)	(3,211)	(1,042)	(4,253)
Exceptional	5	1,809	-	1,809	3,726	-	3,726
		(401)	-	(401)	515	(1,042)	(527)
Other operating income		284	-	284	68	-	68
Operating (loss)/profit	6	(4,853)	-	(4,853)	(8,745)	436	(8,309)
Other income		-	-	-	39	-	39
Finance costs	8	(69)	-	(69)	(506)	-	(506)
(Loss)/profit before taxation		(4,922)	-	(4,922)	(9,212)	436	(8,776)
Income tax expense	9	-	-	-	2,970	(87)	2,883
(Loss)/profit for the financial year		(4,922)	-	(4,922)	(6,242)	349	(5,893)

There are no amounts recognised in other comprehensive income other than those included in the income statement, therefore no separate statement of comprehensive income has been presented.

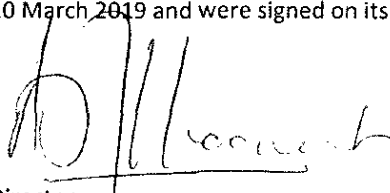
QUANTUM CLOTHING GROUP LIMITED (Company Registration No. 1812)

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	2018 USD '000	2017 USD '000
Fixed assets			
Intangible assets	10	17	61
Property, plant and equipment	11	106	150
Investments	12	-	3,457
		123	3,668
Current assets			
Trade and other receivables	13	13,267	17,319
Cash and cash equivalents		576	1,375
		13,843	18,694
Creditors: amounts falling due within one year	14	(19,473)	(22,481)
Net current liabilities		(5,630)	(3,787)
Total assets less current liabilities		(5,507)	(119)
Provision for liabilities	16	-	(466)
Net liabilities		(5,507)	(585)
Equity			
Called up shared capital	17	1,008	1,008
Share premium account		13	13
Other reserves		1,650	1,650
Accumulated losses		(8,178)	(3,256)
Total shareholders' deficit		(5,507)	(585)

The notes on pages 14 to 26 are an integral part of these financial statements.

The financial statements on pages 11 to 26 were authorised for issue by the board of directors on 20 March 2019 and were signed on its behalf.


Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Ordinary shares	Share premium	Other reserves ¹	Revaluation reserve ²	Retained earnings/ (accumulated/ losses)	Total shareholders' funds/(deficit)
	USD '000	USD '000	USD '000	USD '000	USD '000	USD '000
Balance at 1 April 2016	1,008	13	1,650	(5,233)	7,870	5,308
Loss for the financial year	-	-	-	-	(5,893)	(5,893)
Movement on Revaluation reserve	-	-	-	5,233	(5,233)	-
Total comprehensive income	-	-	-	5,233	(11,126)	(5,893)
Balance at 31 March 2017 and at 1 April 2017	1,008	13	1,650	-	(3,256)	(585)
Loss for the financial year	-	-	-	-	(4,922)	(4,922)
Total comprehensive income	-	-	-	-	(4,922)	(4,922)
Balance as at 31 March 2018	1,008	13	1,650	-	(8,178)	(5,507)

1. Other reserves include a capital contribution reserve of USD 1,497,000 created during financial year ended 31 December 2000 and a reserve brought forward of USD 153,000.
2. The revaluation reserve arose on the change of functional currency to United States Dollar in the year ended 31 March 2016 and has been transferred to retained earnings in 2017. The largest constituent part of the revaluation reserve is retained earnings, due to significant retained earnings and the strength of sterling against the USD at the key reference dates of 1 April 2014 (GBP/USD 1.6637) and 31 March 2015 (GBP/USD 1.4834).
3. Retained earnings represents accumulated comprehensive income / (expense) for the year and prior periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

1. General information

Quantum Clothing Group Limited ("the company") designs, sources and supplies quality apparel products to retailers in the UK and Europe. The company is a private company limited by shares and is incorporated and domiciled in United Kingdom. The address of its registered office is Unit 12 Wheatcroft Business Park, Landmere Lane, Edwalton, Nottingham, NG12 4DG.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation

The financial statements of Quantum Clothing Group Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements have been prepared under the historical cost convention, modified by financial assets and financial liabilities held at fair value through profit and loss and in accordance with the Companies Act 2006, as applicable to companies using FRS 101. The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IAS1, 'Presentation of financial statements'.
- IAS7, 'Statement of cash flows'
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- IFRS7 'Financial Instruments: Disclosures'.

2.2. Going concern

Notwithstanding net liabilities of \$ 5,507,000 at the financial year end, in the opinion of the directors it is appropriate to prepare the financial statements on the going concern basis. As the ultimate parent of the Quantum Clothing Group Limited, Phoenix Ventures (Private) Limited have confirmed its intention, either directly or through one of its subsidiaries, to provide funding necessary for the operations of Quantum Clothing Group Limited so as to enable it to meet its liabilities and carry on its business in the twelve months from the date on which the financial statements were signed. Phoenix Ventures (Private) Limited believes that it has or will have adequate resources to provide this funding.

2.3. Consolidation

The company is exempt from preparing consolidated financial statements by virtue of section 400 of the Companies act 2006, as the company itself is wholly owned by Quantum Clothing Lanka (Private) Limited, a company incorporated in Sri Lanka and located and at 59, Gregory's Road, Colombo 07, and prepares consolidated financial statements. Copies of the immediate parent's consolidated financial statements are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ. These financial statements present information about the company as an individual undertaking and not about its group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.4. Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in United States Dollar (USD), which is also the company's functional currency.

(b) Transactions and balances

Transactions denominated in foreign currencies are translated into United States Dollar at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into United States Dollar at the rates ruling at that date, except where such balances are covered by forward exchange contracts. Translation differences are dealt with in the profit and loss account.

A sterling exchange rate of 1.3979 USD/GBP has been used for translation purposes within the statement of financial position as at 31 March 2018 (2017: 1.2505 USD/GBP).

2.5 Property plant and equipment

Tangible assets are stated at historic cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended life.

Depreciation is provided on cost or valuation in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Land and buildings	2% - 10% per annum
Vehicles and machinery	10% - 25% per annum
Fixtures, fittings, tools and equipment	10% per annum

2.6 Investment in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

2.7 Investment in associated undertakings

Investments in associated undertakings are held at cost less accumulated impairment losses. Investment disposals during the year of \$nil (2017: \$1,370,000 relate to a 3.8% stake in Brandix India Apparel City (PVT) Limited, located in India).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.8 Trade and other receivables

Trade debtors represents the amounts invoiced to customers, accrued sales for goods delivered but not billed, suppliers' debit balances, less provision for bad debts and credits for returns, allowances and cash rebates.

2.9 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.10 Creditors

Creditors are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers.

2.11 Borrowings

Borrowings are recognised at fair value, net of transaction costs.

2.12 Borrowing costs

All finance costs are recognised in profit and loss in the period in which they are incurred.

2.13 Current and deferred income tax

Corporation tax payable is provided on taxable profits at the rate prevailing in the year. Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell these assets. Deferred tax assets are recognised to the extent that it is regarded, as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

2.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The company recognises revenue when the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the entity.

2.15 Interest income

Interest income and receivables are recognised using the original effective interest rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

2 Summary of significant accounting policies (continued)

2.16 Leases

Lease in which substantially all of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

2.17 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.18 Dividend distribution

Dividend distributions to the company's shareholders are recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.19 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.20 Financial guarantees

Financial guarantees are initially recognised at fair value and are subsequently measured at the higher of (a) the amount determined in accordance with IAS 37 and (b) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with IAS 18.

2.21 Pensions

The company operates a defined contribution pension plan post-employment scheme. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

3 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

3 Critical accounting estimates and judgments (continued)

3.2 Critical accounting estimates and assumptions (continued)

- Impairment of trade receivables;
The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 13 for the net carrying amount of the receivables.
- Impairment of investments;
Impairments are made where the carrying values of the investment are not supported by their net assets.

4 Revenue

All the company's turnover, loss before taxation and net assets arise from the company's principal activity mainly in the United Kingdom and Europe.

	Continuing operations	Discontinued operations	Total operations	Continuing operations	Discontinued operations	Total operations
Analysis of revenue by destination	2018 USD '000	2018 USD '000	2018 USD '000	2017 USD '000	2017 USD '000	2017 USD '000
United Kingdom	29,770	-	29,770	36,172	27,048	63,220
Europe	5,928	-	5,928	5,575	-	5,575
North America	17,069	-	17,069	11,637	-	11,637
Rest of the world	91	-	91	1,047	-	1,047
	52,858	-	52,858	54,431	27,048	81,479

5 Exceptional items

During the year, the exceptional items were as detailed below.

	2018 USD '000	2017 USD '000
Gain on disposal of investments in subsidiary undertakings	(1,443)	(2,591)
Gain on settlement on provision of a working capital facility	(366)	-
Gain on disposal of discontinued operations	-	(75)
Loss on disposal of investments	-	820
Reorganisation gain	-	(1,880)
Included within administrative expenses	(1,809)	(3,726)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

5 Exceptional items (continued)

During the year the company realised a gain of \$1,809,000 (2017: \$3,726,000) in respect of exceptional items, \$1,443,000 (2017: \$nil) gain due to the disposal of investment held in Quantum Clothing Lanka (Pvt) Ltd and \$366,000 (2017: \$nil) gain on settlement of a working capital facility relating to the sale agreement, \$nil (2017: \$2,591,000) gain due to the disposal of investments held in subsidiary undertakings, \$nil (2017: \$75,000) gain due to discontinued operations of the Shirts business, \$nil (2017: \$820,000) due to a loss on disposal of a 3.38% stake in Brandix India Apparel City (PVT) Limited and a gain of \$nil (2017 : \$1,880,000) charge relating to various steps taken to improve the operational efficiencies of the business.

6 Operating (loss)/profit

	2018	2017
	USD	USD
	'000	'000
Operating (loss)/profit is stated after charging/(crediting):		
Wages and salaries	1,120	2,831
Social security costs	97	327
Other pension costs	51	162
Staff costs	1,268	3,320
Depreciation and amortisation (see notes 10 and 11)	77	159
Reorganisation gain (included in 'administrative expenses - exceptional')	-	(1,880)
Gain on disposal of subsidiary undertakings (included in 'administrative expenses - exceptional')	(1,443)	(2,591)
Gain on provision of a working capital facility (included in 'administrative expenses - exceptional')	(366)	-
Gain on disposal of discontinued operations (included in 'administrative expenses - exceptional')	-	(75)
Loss on disposal of other investments (included in 'administrative expenses - exceptional')	-	820
Inventory recognised as an expense (included in 'cost of sales')	57,402	83,852
Loss on disposal of property, plant and equipment	11	6
Operating lease charges	189	449
Foreign exchange (gains)/losses	(196)	957
Audit fees payable to the company's auditor	79	85

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

7 Employees and directors

Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2018	2017
By activity	No.	No
Selling and distribution	21	34
Administration	2	46
	23	80

Directors

The directors' emoluments were as follows:

	2018	2017
	USD	USD
	'000	'000
Aggregate emoluments	-	787

During the year the directors were not remunerated for their work as directors of Quantum Clothing Group Limited (2017: £787,000).

Directors' remuneration for the current year have been borne by parent companies.

Highest paid director

The highest paid director's emoluments were as follows:

	2018	2017
	USD	USD
	'000	'000
Total amount of emoluments and amounts (excluding shares) receivable under long-term incentive schemes	-	240

8 Finance costs

	2018	2017
	USD	USD
	'000	'000
Finance expense		
Bank borrowings	(69)	(506)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

9 Income tax

Tax credit included in loss

	2018	2017
	USD	USD
	'000	'000
Current tax:		
UK Corporation tax on losses for the year	-	(2,601)
Adjustments in respect of prior years	-	(282)
Deferred tax:		
Income tax expense	-	(2,883)

Tax credit for the year is higher (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 March 2018 of 19% (2017: 20%). The differences are explained below:

	2018	2017
	USD	USD
	'000	'000
Loss before taxation	(4,922)	(8,776)
Loss multiplied by the standard rate of tax in the UK of 19% (2017: 20%)	(935)	(1,755)
Effects of:		
Losses carried forward	1,199	-
Adjustments in respect of prior years	-	(282)
Income not subject to tax	(322)	(1,970)
Expenses not deductible for tax purposes	58	1,132
Other timing differences	-	(8)
Tax credit	-	(2,883)

Factors affecting current and future tax changes

The standard rate of corporation tax in the UK changed from 20% to 19% from 1 April 2017. Accordingly, the standard rate of corporation tax applied to the company's profits for the accounting period is 19%. A further reduction to 17% (effective 1 April 2020) was substantially enacted by Parliament that received Royal Assent on 15 September 2016.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

10 Intangible assets

	Software USD '000
As at 1 April 2017	
Cost or valuation	1,286
Accumulated depreciation	(1,225)
Net book amount	61
Year ended 31 March 2018	
Amortisation	(44)
Closing net amount	17
At 31 March 2018	
Cost or valuation	1,286
Accumulated depreciation	(1,269)
Net book amount	17

11 Property, plant and equipment

	Land and buildings USD '000	Vehicles and machinery USD '000	Fixtures, fittings, tools and equipment USD '000	Total USD '000
As at 1 April 2017				
Cost or valuation	60	569	158	787
Accumulated depreciation	(37)	(522)	(78)	(637)
Net book amount	23	47	80	150
Year ended 31 March 2018				
Disposals	(17)	(25)	-	(42)
Depreciation on disposals	6	25	-	31
Depreciation for the year	(3)	(15)	(15)	(33)
Closing net amount	9	32	65	106
At 31 March 2018				
Cost or valuation	43	544	158	745
Accumulated depreciation	(34)	(512)	(93)	(639)
Net book amount	9	32	65	106

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

12 Investments

	2018			2017		
	Shares in group undertakings USD '000	Other investments USD '000	Total USD '000	Shares in group undertakings USD '000	Other investments USD '000	Total USD '000
At 1 April	3,457	-	3,457	4,534	1,370	5,904
Disposals	(3,457)	-	(3,457)	(1,077)	(1,370)	(2,447)
At 31 March	-	-	-	3,457	-	3,457

During the year the company disposed of shares in group undertakings totalling \$3,457,000 (2017: \$1,077,000), \$3,457,000 relating to the sale of its wholly owned subsidiary Quantum Clothing Lanka (PVT) Limited, located in Sri Lanka for a cash consideration of \$4,900,000 and \$nil (2017: \$281,000) for its wholly owned subsidiary Quantum Clothing India (PVT) Limited, located in India and \$nil (2017: \$796,000 relating to its wholly owned subsidiary Quantum Clothing (Cambodia) Limited, located in Cambodia.

On 31 October 2016, the company disposed of its shares in other investments, a 3.38% stake in Brandix India Apparel City (PVT) Limited of \$1,370,000 for a cash consideration of \$550,000. On disposal the \$820,000 loss was recognised in the income statement.

Investments in group undertakings are held at the year-end in the following companies that manufacture garments:

Name	% Share Holdings	Country of incorporation and operation	Registered office
Quantum Apparel (Cambodia) Limited	100%	Cambodia	Phum Toul Pungro, Sangkat Chom, Khan Dangkor, Phnom Penh, Kingdom of Cambodia

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

13 Trade and other receivables

	2018	2017
	USD	USD
	'000	'000
Trade receivables	5,268	5,633
Amounts owed by group undertakings	7,776	10,903
Other receivables	34	363
Prepayments and accrued income	189	420
	13,267	17,319

Amounts owed by group undertakings are unsecured, interest free and repayable on demand. Trade receivables are stated after provisions for impairment of \$nil (2017: \$nil).

14 Creditors: amounts falling due within one year

	2018	2017
	USD	USD
	'000	'000
Borrowings	4,791	10,000
Creditors	152	182
Amounts owed to parent company	14,368	6,794
Taxation and social security	20	57
Other creditors	-	4,900
Accruals and deferred income	142	548
	19,473	22,481

Borrowings of \$4,791,000 are unsecured, interest free and due to an associate undertaking (2017: \$10,000,000 was secured by a standby letter of credit). All other creditors are unsecured.

Other creditors of \$nil (2017: \$4,900,000 relates to monies received from subsidiary Quantum Clothing Lanka (Private) Limited in preparation for the divestment of Quantum Clothing Lanka (Private) Limited under a Sale And Purchase Agreement signed on 26 April 2017)

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)**

15 Post-employment benefits

Defined contribution scheme

	2018	2017
	USD	USD
	'000	'000
The company operates a defined contribution pension scheme.		
Current period contribution	52	162

Outstanding contributions at the financial year end 31 March 2018 amounted to \$nil (2017: \$3,000).

16 Provisions for liabilities

	Reorganisation provision
	USD
	'000
As at 1 April 2017	466
Amounts utilised	(466)
As at 31 March 2018	-

17 Called up share capital

Authorised

Ordinary shares of £10 each

	No.	USD
		'000
At 31 March 2017 and 31 March 2018	65,000	1,081

Allotted and fully paid

Ordinary shares of £10 each

	No.	USD
		'000
At 31 March 2017 and 31 March 2018	60,600	1,008

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018 (CONTINUED)****18 Other commitments**

The company had the following total future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2018	2017
	USD	USD
	'000	'000
Not later than one year	143	63
Later than one year and not later than five years	76	83
	219	146

19 Post balance sheet events

No circumstances have been arisen since the balance sheet date which would require adjustments to, or disclosure in the financial statements.

20 Related party transactions

The company has taken advantage of the exemption provided in IAS 24, 'Related party disclosures' not to disclose related party transactions entered in to between two or more members of the Quantum Clothing Lanka (Private) Limited Group.

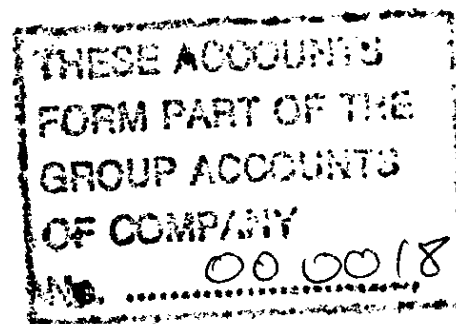
21 Controlling parties

Quantum Clothing Lanka (Private) Limited incorporated in Sri Lanka has acquired total number of shares and became the direct parent company of Quantum Clothing Group Limited after 26th April 2017. Quantum Clothing Lanka (Private) Limited is domiciled in Sri Lanka at 59, Gregory's Road, Colombo 07.

Ultimate parent of the Quantum Clothing Group Limited is Phoenix Ventures (Private) Limited (a company incorporated in Sri Lanka) owning 60% shares of Quantum Clothing Lanka (Private) Limited & Dilan Gooneratne (a business entrepreneur domiciled in Sri Lanka) owns 40% shares of Quantum Clothing Lanka (Private) Limited. Copies of the immediate parent's consolidated financial statements are available to the public and may be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

The consolidated financial statements of Phoenix Ventures (Private) Limited form the largest group in which this company is consolidated.

The smallest group is headed by Quantum Clothing Lanka (Private) Limited.



QUANTUM CLOTHING LANKA (PRIVATE)
LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS
31 MARCH 2018

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**QUANTUM CLOTHING LANKA (PRIVATE) LIMITED
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS
31 MARCH 2018**



**QUANTUM CLOTHING LANKA (PRIVATE) LIMITED
AND ITS SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS - 31 MARCH 2018

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QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Annual Report of the Board of Directors for the year ended 31 March 2018

1 The Board of Directors present herewith the audited the consolidated financial statements of Quantum Clothing Lanka (Private) Limited and its Subsidiaries for the year ended 31 March 2018 as set out on pages 6 to 55

Formation

2 Quantum Clothing Lanka (Private) Limited 'the Company' was incorporated and registered in Sri Lanka on 09 September 1999 under the Companies Act No 17 of 1982 as a private limited liability Company under the name of Quantum Clothing Lanka (Private) Limited. Pursuant to the requirements of the new Companies Act No 7 of 2007 the Company was re-registered on 12 December 2007. The Company is domiciled in Sri Lanka and bears the registration number P/L 1423.

Nature of the business of the Company

3 The nature of the business of the Company and its Subsidiaries is given in Note 19 to the financial statements on page

Financial statements

4 The financial statements of the Company for the year ended 31 March 2018 which include the statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and the notes to the financial statements are set out on pages 6 to 55.

Independent auditor's report

5 The independent auditor's report is set out on page 4 and 5.

Accounting policies

6 The accounting policies adopted by the Group are consistent with the International Financial Reporting Standards.

Statement of Directors' responsibility

7 The Directors are responsible for preparing and presenting the financial statements of the Company to reflect a true and fair view of the state of affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of International Financial Reporting Standards (IFRSs) and the Companies Act No 07 of 2007.

Review of business

8 The state of affairs of the Company and the Group as at 31 March 2018 is set out in the balance sheet on page 7.

Property, plant and equipment

9 The movements in property, plant and equipment during the year are set out in Note 5(a) to the financial statements.

Dividend

10 During the year a dividend of USD 220,556 (2017 - USD 43,492) was declared and approved by the shareholders of the Company.

Reserves

11 Total reserves and their composition are set out in the statement of changes in equity on page 9 of the financial statements.

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Annual Report of the Board of Directors for the year ended 31 March 2018 (Contd)

Substantial shareholdings

12 The Company's and the Group's shareholdings are as stated below.

	Holding percentage (%)
Phoenix Ventures (Private) Limited	60.00%
Mr. Dilan Gooneratne	40.00%
	<u>100.00%</u>

Directors

13 The names of the Directors who held office during the year and as at the balance sheet date are given below.

Mr. Dilan Gooneratne
Mr. Ashroff Omar
Mr. Trevine Vyaas Jayasekara

Mr. A.Y. Lawrence and Mr. N.J. Lugg ceased to be directors from 26 April 2017. Mr. Dilan Gooneratne and Mr. Ashroff Omar has been appointed as Directors of the Company effective from 25 April 2017 and also Mr. Trevine Vyaas Jayasekara has been appointed as Director of the effective from 26 May 2017.

Directors' interest in contracts and proposed contracts with the Company

14 The Directors' interests in contracts and proposed contracts with the Company, both direct and indirect, are set out in Note 14 to the financial statements. Where necessary, the Directors have disclosed to the Board the nature of their interests in contracts and proposed contracts.

Remuneration and other benefits of Directors

15 The remuneration and other benefits of the Directors are given in Note 2(b) to the financial statements on page 13.

Directors' interests in shares of the Company

16 As per the share register, one Director held 40% shares in issue as at 31 March 2018.

	Number of shares	
	2018	2017
Mr. Dilan Gooneratne	31,851,774	Nil

None of the other Directors held any ordinary shares of the Company as at 31 March 2018.

Amounts payable to the firm holding office as an independent auditor

17 The remuneration payable by the Company to the independent auditors is given in Note 2(b) to the financial statements on page 13.

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Annual Report of the Board of Directors for the year ended 31 March 2018 (Contd)

Auditor's relationship or any interest with the Company

18 Messrs PricewaterhouseCoopers Sri Lanka, Chartered Accountants, served as the independent auditor during the year. The Directors are satisfied that, based on representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence and objectivity.

Corporate governance

19 The business and affairs of the Company the Group are managed and directed with the objective of balancing the attainment of corporate objectives with the alignment of corporate behaviour within the legal and good governance framework of the industry and Sri Lanka, the accountability to shareholders and responsibility to other stakeholders.

Statutory payments

20 All statutory payments due to the Government of Sri Lanka and on behalf of employees have been made or accrued as at the balance sheet date.

Environmental protection

21 After making adequate enquiries from management, the Directors are satisfied that the Company and the Group operate in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company its subsidiaries operate.

Donations

22 The Company and the Group have made donations of USD 2,215 (2017 USD 2,683) for charitable purposes for the year ended 31 March 2018.

Going concern

23 The financial statements are prepared on going concern principles. After making adequate enquiries from management, the Directors are satisfied that the Company and its subsidiaries have adequate resources to continue its operations in the foreseeable future.

Events after the reporting period

24 No events have occurred since the balance sheet date and the approval of these financial statements, which would require adjustments to or disclosure in these financial statements.

Appointment of independent auditors

25 A resolution to re-appoint the auditors, Messrs PricewaterhouseCoopers, Chartered Accountants, who have expressed their willingness to continue, will be proposed at the forthcoming Annual General Meeting.

DIRECTOR

COLOMBO

DATE 20 December 2018

DIRECTOR

BY ORDER OF THE BOARD
R SECRETARIAL SERVICES (PRIVATE) LIMITED,

SECRETARY
Director



Independent auditor's report

To the Shareholders of Quantum Clothing (Private) Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Quantum Clothing (Private) Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2018;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Other information

Management is responsible for the other information. The other information comprises the Annual report of the Board of Directors but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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S. Gajendran FCA, Ms. S. Hodge FCA, Ms. S. Perera ACA, T. U. Jayasinghe ACA

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Independent auditor's report (Contd)

To the Shareholders of Quantum Clothing (Private) Limited (Contd)

Report on the audit of the financial statements (Contd)

Responsibilities of management and those charged with governance for the financial statements (Contd)

In preparing the separate/ consolidated financial statements, management is responsible for assessing the Company's/ Group's ability to continue as a going concern, disclosing (as applicable) matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company/ Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate/ consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

20 Dec 2018

COLOMBO


CHARTERED ACCOUNTANT

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

ANNUAL FINANCIAL REPORT - 31 March 2018

Financial statements

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These financial statements are the consolidated financial statements of Quantum Clothing Lanka (Private) Limited and its Subsidiaries. The financial statements are presented in US Dollars.

The Company is a limited liability Company incorporated under the Companies Act No 07 of 2007 and is domiciled in Sri Lanka. The address of the registered office and principal place of the business is:

Registered office	Principal place of business
Quantum Clothing Lanka (Private) Limited	Quantum Clothing Lanka (Private) Limited
59	Moragahahena
Gregory's Road	Millewa
Colombo 7	Horana

The financial statements were authorised for issue by the directors on 20 December 2018. The directors have the power to amend and reissue the financial statement.

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Consolidated statement of comprehensive income

(all amounts in US Dollars)

	Notes	Group Year ended 31 March 2018	Company Year ended 31 March 2018	2017
Revenue	1	54,085,202	29,890,719	28,882,426
Cost of sales of goods		(50,560,249)	(22,935,650)	(20,954,179)
Gross profit		3,524,953	6,955,069	7,928,247
Distribution costs		(625,978)	(155,851)	(33,477)
Administrative expenses		(9,027,287)	(5,778,627)	(4,998,770)
Other operating income		650,348		
Other gains / (losses) – net	2(a)	(3,785)	(3,785)	1,095
Operating (loss) / profit		(5,481,749)	1,016,806	2,897,095
Finance income	2(c)	345,260	343,630	386,847
Finance costs	2(c)	(223,142)	(154,483)	(226,905)
Finance costs – net		122,118	189,147	159,942
Gain on bargain purchase	13	857,211	-	-
(Loss) / profit before income tax		(4,502,420)	1,205,953	3,057,037
Income tax expense	3(a)	(231,570)	(231,570)	(413,684)
(Loss) / profit for the year		(4,733,990)	974,383	2,643,353
Other comprehensive income				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of post-employment benefit obligations - gratuity	5(g)	(62,845)	(62,845)	(19,514)
Deferred tax impact on remeasurement of post-employment benefit obligations		5,204	5,204	(2,342)
Other comprehensive income for the year		(57,641)	(57,641)	(21,856)
Total comprehensive income for the period		(4,791,631)	916,742	2,621,497
Basic (loss)/ earnings per share attributable to the equity shareholders of the Company during the year (expressed in USD per share)				
	15	(0.0595)	0.0122	0.0629
Dividend per share attributable to the equity shareholders of the Company during the year (expressed in USD per share)				
	16	0.0028	0.0028	0.0010

The notes on pages 12 to 55 form an integral part of these financial statements



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

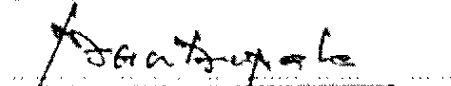
Consolidated balance sheet

(all amounts in US Dollars)


	Notes	Group As at 31 March 2018	Company As at 31 March 2018	2017
ASSETS				
Non-current assets				
Property, plant and equipment	5(a)	8,286,356	5,309,784	4,660,588
Capital work-in progress	5(b)	122,420	76,235	47,618
Intangible assets	5(c)	65,686	49,005	8,576
Investments in subsidiaries	5(d)	-	100,000	-
Refundable deposit		112,328	-	-
Total non-current assets		8,586,790	5,535,024	4,716,782
Current assets				
Inventories	5(e)	7,899,519	3,312,915	4,573,619
Trade and other receivables	4(a)	9,512,141	17,535,006	12,362,442
Cash and cash equivalents	4(b)	1,499,281	13,138	883,753
Total current assets		18,910,941	20,861,059	17,819,814
Total assets		27,497,731	26,396,083	22,536,596
LIABILITIES				
Non-current liabilities				
Borrowings	4(d)	5,198,210	5,198,210	4,900,000
Deferred tax liabilities	5(f)	168,355	168,355	125,742
Defined benefit obligations	5(g)	585,936	585,936	453,800
Total non-current liabilities		5,952,501	5,952,501	5,479,542
Current liabilities				
Trade and other payables	4(c)	6,529,019	4,259,963	4,496,945
Current tax liabilities		226,820	226,820	243,325
Borrowings	4(d)	11,253,189	6,462,224	3,759,964
Total current liabilities		18,009,028	10,949,007	8,502,234
Total liabilities		23,961,529	16,901,508	13,981,776
Net assets		3,536,202	9,494,575	8,554,820
EQUITY				
Share capital	6(a)	8,956,898	8,956,898	3,813,329
Revaluation reserve	6(b)	430,834	430,834	430,834
(Accumulated losses) / retained earnings	6(c)	(5,851,530)	106,843	4,310,657
Total equity		3,536,202	9,494,575	8,554,820

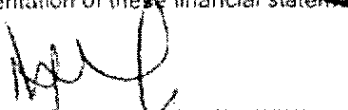
The notes on pages 12 to 55 form an integral part of these financial statements.

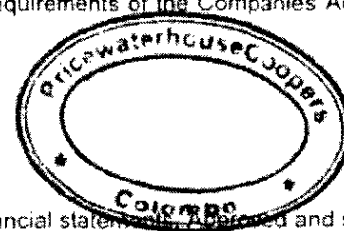
I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.


 Chief Financial Officer
 Date 20 December 2018

The Board of Directors is responsible for the preparation and presentation of these financial statements, and has approved and signed for and on behalf of the Board of Directors.


 Director
 Date 20 December 2018


 Director
 Date 20 December 2018

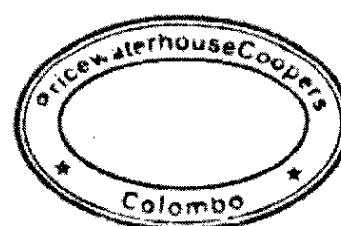


QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Consolidated statement of changes in equity

(all amounts in US Dollars)

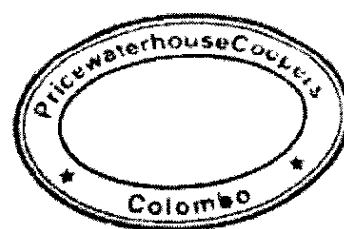
Notes	Share capital	Accumulated losses	Revaluation Reserve	Total
Balance at 1 April 2017	3,813,329	4,060,657	430,834	8,304,820
Share issue	5,143,569	-	-	5,143,569
Share buy - back	-	(4,900,000)	-	(4,900,000)
	5,143,569	(4,900,000)	-	243,569
Loss for the period	-	(4,733,990)	-	(4,733,990)
Other comprehensive income	-	(57,641)	-	(57,641)
Total comprehensive income for the period	-	(4,791,631)	-	(4,791,631)
Transactions with owners in their capacity as owners:				
Dividends paid	-	(220,556)	-	(220,556)
Balance at 31 March 2018	8,956,898	(5,851,530)	430,834	3,536,202



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES**Company statement of changes in equity**

(all amounts in US Dollars)

Notes	Share capital	Retained earnings	Revaluation Reserve	Total
Balance at 1 April 2016	3,813,329	1,732,652	430,834	5,976,815
Profit for the period	-	2,643,353	-	2,643,353
Other comprehensive income	-	(21,856)	-	(21,856)
Total comprehensive income for the period	-	2,621,497	-	2,621,497
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	-	(43,492)	-	(43,492)
Balance at 31 March 2017	3,813,329	4,310,657	430,834	8,554,820
Balance at 1 April 2017	3,813,329	4,310,657	430,834	8,554,820
Share issue	5,143,569	-	-	5,143,569
Share buy - back	-	(4,900,000)	-	(4,900,000)
	5,143,569	(4,900,000)	-	243,569
Profit for the period	-	974,383	-	974,383
Other comprehensive income	-	(57,641)	-	(57,641)
Total comprehensive income for the period	-	916,742	-	916,742
Transactions with owners in their capacity as owners:				
Dividends paid	-	(220,556)	-	(220,556)
Balance at 31 March 2018	8,956,898	106,843	430,834	9,494,575



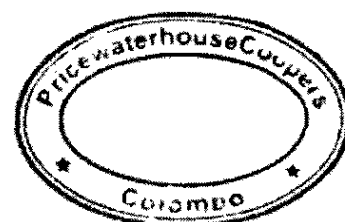
The notes on pages 12 to 55 form an integral part of these financial statements

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Consolidated statement of cash flows

(all amounts in US Dollars)

	Notes	Group 2018	Company 2018	Company 2017
Cash flows from operating activities				
Cash used in operations	7(a)	(12,261,359)	(7,146,199)	(3,642,517)
Interest received	2(c)	24,879	23,562	-
Retirement benefits obligations paid	5(g)	(74,293)	(74,293)	(56,206)
Interest paid	2(c)	(223,142)	(154,483)	(371)
Income taxes paid		(181,363)	(181,363)	(333,064)
Net cash outflow from operating activities		(12,715,278)	(7,532,776)	(4,032,158)
Cash flows from investing activities				
Payment for acquisition of subsidiary	5(d)		(100,000)	-
Inflow of cash from acquisition of subsidiary, net of cash paid	13(a)	1,838,023	-	-
Payments for property, plant and equipment	5(a)	(378,245)	(322,621)	(608,474)
Payments for intangible assets	5(c)	(33,773)	(33,773)	(8,999)
Proceeds from/ payment for sale of property, plant and equipment		9,634	(1,442)	2,454
Expenses incurred on capital work-in-progress	5(b)	(819,281)	(803,486)	(14,237)
Net cash outflow from investing activities		616,358	(1,261,322)	(629,256)
Cash flows from financing activities				
Proceeds from issues of shares	6(a)	5,143,569	5,143,569	-
Proceeds from borrowings		8,716,948	8,716,948	374
Payments of lease liability		-	-	(2,014)
Proceeds from borrowings - related parties	4(d)	6,934,715	2,143,750	4,900,000
Repayment of borrowings - related parties		(8,659,590)	(8,659,590)	-
Dividends paid to Company's shareholders	6(b)	(220,556)	(220,556)	(43,492)
Net cash outflow from financing activities		11,915,086	7,124,121	4,854,868
Net (decrease) / increase in cash and cash equivalents		(183,834)	(1,669,977)	193,454
Cash and cash equivalents at the beginning of the financial year		883,753	883,753	690,299
Cash and cash equivalents at end of year	7(e)	699,919	(786,224)	883,753

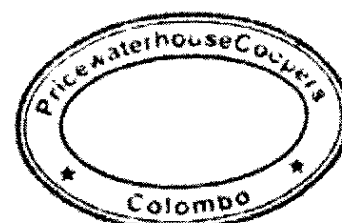


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QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

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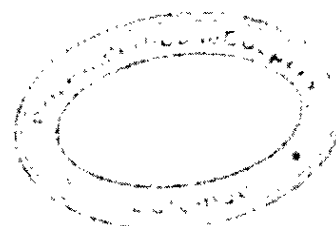


QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES**Contents of the notes to the financial statements****How numbers are calculated**

This section provides additional information about those individual line items in the financial statements that the directors consider most relevant in the context of the operations of the entity including:

- (a) accounting policies that are relevant for an understanding of the items recognised in the financial statements. These cover situations where the accounting standards either allow a choice or do not deal with a particular type of transaction
- (b) analysis and sub-totals including segment information
- (c) information about estimates and judgements made in relation to particular items

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QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

1 Revenue

The Company derives the following types of revenue

	Group 2018	Company 2018	2017
Direct exports	52,277,198	27,729,995	26,642,404
Indirect exports	809,029	809,029	1,156,213
Exports - others	353,450	353,450	191,963
Local sales	645,525	998,245	50,807
	54,085,202	29,890,719	28,041,387
Transfer pricing adjustment	-	-	841,039
Total revenue	54,085,202	29,890,719	28,882,426

The accounting policies for revenue are outlined in note 20 (c)

2 Other income and expense items

This note provides a breakdown of the items included in other gains/ (losses), finance income and costs, and an analysis of expenses by nature. Information about specific profit and loss items (such as gains and losses in relation to financial instruments) is disclosed in the related balance sheet notes.

(a) Other gains/ (losses)

	Group 2018	Company 2018	2017
Net (losses)/ gains on disposal of property, plant and equipment	(3,785)	(3,785)	1,095
	(3,785)	(3,785)	1,095

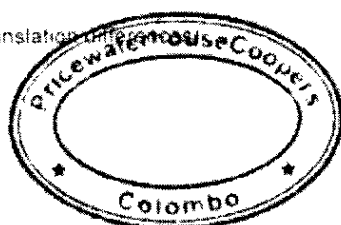
During the year, Quantum Clothing Group Limited realised a gain of USD1,443,000 on disposal of investment held in Quantum Clothing Lanka (Private) Limited.

(b) Breakdown of expenses by nature

Notes	Group 2018	Company 2018	2017
Changes in inventories of raw materials and consumables used	36,152,034	17,912,505	16,708,205
Other overheads	1,777,401	1,777,401	1,493,875
Repairs and maintenance expenditure	690,240	493,404	385,411
Directors' remuneration	676,626	499,126	50,507
Auditors' remuneration	30,404		
- audit	5,581	5,581	6,802
- non audit	2,400	2,400	-
Depreciation	1,076,071	405,402	349,199
Amortisation of intangible assets	77,875	33,893	5,438
Staff cost	15,593,256	7,371,873	4,763,975
Other expenses	4,131,626	368,543	2,223,014
Total cost of sales, distribution cost and administrative expenses	60,213,514	28,870,128	25,986,426

(c) Finance income and costs

	Group 2018	Company 2018	2017
<i>Finance income</i>			
Foreign exchange gain	52,382	52,382	386,847
Foreign exchange gain (currency translation differences)	267,999	267,686	-
Interest income	24,879	23,562	-
Finance income	345,260	343,630	386,847
<i>Finance cost</i>			
Interest expense	(212,867)	(144,208)	-
Foreign exchange loss (currency translation differences)	-	-	(226,534)
Overdraft interest	(10,275)	(10,275)	(350)
Finance lease interest	-	-	(21)
Finance costs	(223,142)	(154,483)	(226,905)
Net finance costs	122,118	189,147	159,942



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

2 Other income and expense items (Contd)

(d) Employee benefit expense	Notes	Group	Company	
		2018	2018	2017
Wages, salaries and bonus (excluding directors' remuneration)		14,375,181	6,403,509	4,161,600
Defined contribution plans		876,346	824,780	522,692
Defined benefit plan - gratuity	5(f)	356,523	143,684	79,683
		15,608,050	7,371,873	4,763,975
Average number of persons employed by the Company and the Group during the year				
Workers and Staff		3,689	1,995	1,613
Executives		421	292	171

3 Income tax expense

(a) Income tax expense

This note provides an analysis of the Company's and the Group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Company's tax position.

The business profit of the Company is subject to a corporate tax under following rates:

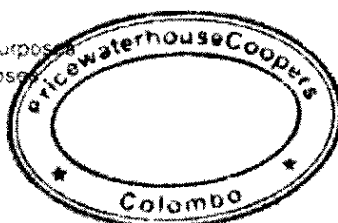
- Export sales 12% (2017 - 12%)
- Local sales 28% (2017 - 28%)
- Interest income 28% (2017 - 28%)

	Notes	Group 2018	Company 2018	Company 2017
<i>Current tax</i>				
Current tax on profits for the year		180,769	180,769	393,524
Total current tax expense		180,769	180,769	393,524
<i>Deferred income tax</i>				
(Decrease) increase in deferred tax assets		(15,130)	(15,130)	5,159
Increase (decrease) in deferred tax liabilities		60,727	60,727	17,343
Total deferred tax expense		45,597	45,597	22,502
Income tax expense for the year		226,366	226,366	416,026
		Group 2018	Company 2018	Company 2017
Income tax expense charge				
to profit or loss		231,570	231,570	413,664
to other comprehensive income		(5,204)	(5,204)	2,342
Total income tax expense		226,366	226,366	416,026

- (a) The exchange difference represents the translation difference arising on translation of year end deferred tax liability at the closing rate.

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Group	Company	
	2018	2018	2017
Profit before tax	1,205,953	1,205,953	3,057,037
Income taxable at different rates			
Tax calculated at tax rate of 12%	141,887	141,887	366,844
Tax calculated at tax rate of 28%	6,597	6,597	-
Tax effects of:			
- Expenses not deductible for tax purposes	88,744	88,744	94,258
- Expenses deductible for tax purposes	(109,128)	(109,128)	(116,853)
- Last year under provision	52,669	52,669	49,275
Deferred tax charge / (release) (Note 05(f))	45,597	45,597	(22,502)
Income tax expense	226,366	226,366	371,022



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

4 Financial assets and financial liabilities

This note provides information about the Group's financial instruments, including

- an overview of all financial instruments held by the Group
- specific information about each type of financial instrument
- accounting policies
- information about determining the fair value of the instruments, including judgements and estimation uncertainty involved

The Company and the Group holds the following financial instruments

(a) Trade and other receivables

	Notes	Group 2018	Company 2018	2017
Trade receivables	9(b)	5,325,506	38,023	265,737
Provision for impairment		(43,853)	(24,623)	-
		5,281,653	13,400	265,737
Receivables from related parties	16 (c) (d)	2,680,896	17,049,154	6,828,078
Deposits, advances and other receivables		940,678	118,546	5,227,154
Prepayments	9(b)	608,914	353,906	41,473
		9,512,141	17,535,006	12,362,442

(i) Classification as trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current. The Company's and the Group's impairment and other accounting policies for trade and other receivables are outlined in notes 20(h).

(ii) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. Interest may be charged at commercial rates where the terms of repayment exceed six months. Collateral is not normally obtained. The non-current other receivables are due and payable within three years from the end of the reporting period.

(iii) Fair values of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts.

(iv) Impairment and risk exposure

Information about the impairment of trade and other receivables, their credit quality and the Company's and the Group's exposure to credit risk, foreign currency risk and interest rate risk can be found in note 9(b) and (c).

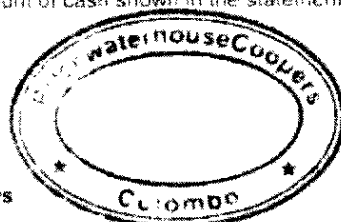
(b) Cash and cash equivalents

	Group 2018	Company 2018	2017
Current assets			
Cash at bank	1,485,916	9,745	882,479
Cash in hand	13,365	3,393	1,274
Cash and cash equivalents	1,499,281	13,138	883,753

(i) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows

	Group 2018	Company 2018	2017
Balances as above	1,499,281	13,138	883,753
Bank overdrafts	(799,362)	(799,362)	(374)
Balances per statement of cash flows	699,919	(786,224)	883,379



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

4 Financial assets and financial liabilities(Contd)

(b) Cash and cash equivalents(Contd)

(ii) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 20(g) for the Group's other accounting policies on cash and cash equivalents

(iii) The cash and cash equivalents are denominated in the following currencies:

	Notes	Group 2018	Company 2018	2017
Sri Lankan rupees		10,388	10,388	56,509
Euro		455	-	-
British pound sterling		30,030	-	-
Cambodia riel		1,719	-	-
United States dollars		1,456,690	2,750	827,244
		1,499,281	13,138	883,753

(c) Trade and other payables

		Group 2018	Company 2018	2017
Trade payables		2,623,824	1,176,869	2,418,805
Related party payables	16(c)	1,023,964	1,025,476	-
Accrued expenses		2,139,568	1,315,955	578,440
Other payables (a)		741,663	741,663	1,501,700
		6,529,019	4,259,963	4,498,945

(a) Other payables mainly include Goods Received Invoice not Received (GRIR) amount of USD 222,870 (2017 - 1,062,990) in the Company and amount of USD 402,122 in the Group

The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short term nature

The carrying amounts of the Company's and the Group's trade and other payables are denominated in the following currencies

	Group 2018	Company 2018	2017
Euros	735	699	5,227
Great British Pounds	154,870	7,717	4,241
Sri Lankan rupees	1,998,235	1,998,235	1,529,699
United States dollars	9,166,145	2,251,800	2,959,531
Others	-	1,512	247
	11,319,985	4,259,963	4,498,945

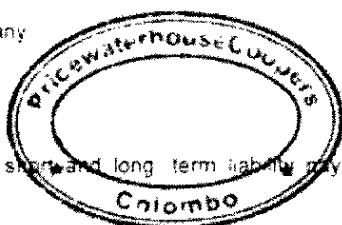
Trade payables are unsecured and are usually paid within 30 days of recognition

The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature

(d) Borrowings

	Group 2018	Company 2018	2017
Non-current			
Loan from Phoenix Ventures (Private) Limited	-	-	4,900,000
Bank borrowings	5,198,210	5,198,210	-
	5,198,210	5,198,210	4,900,000
Current			
Bank overdrafts	4(b)(i) 799,362	799,362	374
Borrowing from related company	14(d) 6,934,715	2,143,750	3,759,590
Bank borrowings	3,519,112	3,519,112	-
	11,253,189	6,462,224	3,759,964
Total borrowings	16,451,399	11,660,434	8,659,964

Bank borrowings represents short and long term liability payable to the bank for the working capital requirements and machine purchases



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

4 Financial assets and financial liabilities(Contd)

(d) Borrowings(Contd)

(i) Details of all outstanding balances at the balance sheet date are set out below

	Group 2018	Company 2018	Company 2017
(a) Effective rates of interest	1 MONTHS LIBOR+1.5%	1 MONTHS LIBOR+1.5%	1 MONTHS LIBOR+1.5%
(b) The carrying amounts of the Company's and the Group's borrowings are denominated in following currencies			
	Group 2018	Company 2018	Company 2017
United States dollars	16,451,399	11,660,434	8,659,964
	16,451,399	11,660,434	8,659,964

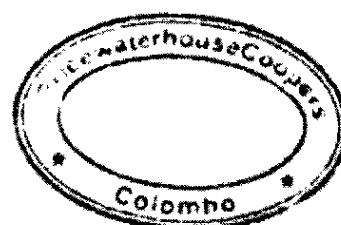
- (c) Borrowing from related parties 2018 - Nil (2017- 4,900,000) consists of funds received from Phoenix Ventures (Private) Limited. The loan is unsecured and no interest is payable thereon. The repayment terms and conditions require the amount to be settled on demand.
- (d) The exposure of the Company's and the Group's borrowings to interest rate changes and the contractual re-pricing dates at the end of the reporting period are less than three months.
- (e) The carrying amount of the borrowings approximates their fair value.

5 Non-financial assets and liabilities

This note provides information about the Group's non-financial assets and liabilities, including specific information about each type of non-financial asset and non-financial liability:

- property, plant and equipment (note 5(a))
- intangible assets (note 5(c))
- capital-work-in-progress (note 5(b))
- investment in subsidiaries (note 5(d))
- inventories (note 5(e))
- deferred tax balances (note 5(f))
- defined benefit obligations (note 5(g))
- provisions (note 8(h))

Information about determining the fair value of the assets and liabilities, including judgements and estimation uncertainty involved



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

(all amounts in the notes are in US Dollars unless otherwise stated)

5 Non-financial assets and liabilities (Contd)

(a) Property, plant and equipment (Contd)

(i) Company

At 1 April 2016

	Freehold land	Building	Furniture and fittings	Plant and machinery	Other equipment	IT Equipment	Motor Vehicles	Total
Cost	393,343	2,446,527	316,109	5,698,054	61,496	380,429	129,337	9,425,295
Accumulated depreciation	-	(339,231)	(208,833)	(3,995,130)	(54,785)	(314,945)	(109,699)	(5,022,623)
Net book amount	393,343	2,107,296	107,276	1,702,924	6,711	65,484	19,638	4,402,672

Year ended 31 March 2017

Opening net book value	393,343	2,107,296	107,276	1,702,924	6,711	65,484	19,638	4,402,672
Additions	-	29,041	14,267	557,536	-	7,630	-	608,474
Disposals	-	(1,348)	-	(118,574)	-	(610)	-	(120,532)
Depreciation charge for the year	-	(46,791)	(16,640)	(284,257)	(2,302)	(16,844)	(2,365)	(349,199)
Depreciation on disposals	-	301	-	118,262	-	610	-	119,173
Closing net book amount	393,343	2,088,499	104,903	1,995,891	4,409	56,270	17,273	4,660,588

At 31 March 2017

Cost	393,343	2,474,220	330,376	6,137,016	61,496	387,449	129,337	9,913,237
Accumulated depreciation	-	(385,721)	(225,473)	(4,141,125)	(57,087)	(331,179)	(112,064)	(5,252,649)
Net book amount	393,343	2,088,499	104,903	1,995,891	4,409	56,270	17,273	4,660,588

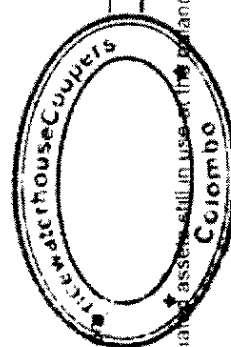
Year ended 31 March 2018

Opening net book amount	393,343	2,088,499	104,903	1,995,891	4,409	56,270	17,273	4,660,588
Additions	-	33,864	9,702	193,375	8,619	77,061	-	322,621
Transfers from CWIP (Note 5(c))	-	-	128,879	605,441	-	-	-	734,320
Disposals	-	-	-	(99,627)	-	(2,649)	-	(102,276)
Depreciation charge for the year (Note 2(b))	-	(52,714)	(18,511)	(288,469)	(3,310)	(25,126)	(17,273)	(405,402)
Depreciation on disposals	-	-	-	99,627	-	306	-	99,933
Closing net book amount	393,343	2,069,649	224,973	2,506,238	9,718	105,863	-	5,309,784

At 31 March 2018

Cost	393,343	2,508,084	488,957	6,836,205	70,115	461,861	129,337	10,867,902
Accumulated depreciation	-	(438,435)	(243,984)	(4,329,967)	(60,397)	(355,998)	(129,337)	(5,558,118)
Net book amount	393,343	2,069,649	224,973	2,506,238	9,718	105,863	-	5,309,784

The cost of fully depreciated assets still in use at the balance sheet date amounted to USD 2,431,637 (2017 - USD 2,341,672)



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

5 Non-financial assets and liabilities (Contd)

(a) Property, plant and equipment (Contd)

(ii) Group

	Freehold land	Building	Furniture and fittings	Plant and machinery	Other equipment	Office equipment	Leasehold improvements	IT Equipment	Motor Vehicles	Total
At 1 April 2016										
Cost	393,343	2,446,527	316,109	5,698,054	-	61,496	-	-	129,337	9,425,295
Accumulated depreciation	-	(339,231)	(208,833)	(3,995,130)	-	(54,785)	-	-	(109,699)	(5,022,623)
Net book amount	393,343	2,107,296	107,276	1,702,924	-	6,711	-	-	19,638	4,402,672
Year ended 31 March 2017										
Opening net book value	393,343	2,107,296	107,276	1,702,924	-	6,711	-	-	19,638	4,402,672
Additions	-	29,041	14,267	557,536	-	-	-	-	7,630	608,474
Disposals	-	(1,348)	-	(118,574)	-	-	-	-	(610)	(120,532)
Depreciation charge for the year	-	(45,731)	(16,640)	(264,257)	-	(2,302)	-	-	(16,844)	(349,199)
Depreciation on disposals	-	301	-	118,262	-	-	-	-	610	119,173
Closing net book amount	393,343	2,088,499	104,903	1,995,891	-	4,409	-	-	17,273	4,560,588

At 31 March 2017

Cost	393,343	2,474,220	330,376	6,137,016	-	61,496	-	-	129,337	9,913,237
Accumulated depreciation	-	(385,721)	(225,473)	(4,141,125)	-	(57,087)	-	-	(112,064)	(5,252,649)
Net book amount	393,343	2,088,499	104,903	1,995,891	-	4,409	-	-	17,273	4,660,588

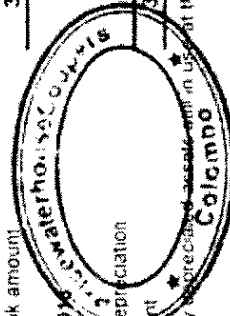
Year ended 31 March 2018

Opening net book amount	393,343	2,088,499	104,903	1,995,891	-	4,409	-	-	17,273	4,660,588
Additions	-	33,864	32,904	210,576	-	8,619	395	4,989	86,898	378,245
Acquisition of subsidiary - cost	-	59,889	519,198	4,288,587	-	-	33,342	1,610,436	672,204	7,282,421
Acquisition of subsidiary - accumulated depreciation	-	(37,044)	(346,428)	(1,762,430)	-	-	(30,644)	(825,885)	(611,743)	(3,688,278)
Transfers from CWIP [Note 5(c)]	-	-	128,879	605,441	-	-	-	-	8,076	742,396
Disposals	-	(17,076)	-	(99,627)	-	-	-	-	(2,649)	(119,352)
Depreciation charge for the year [Note 2(b)]	-	(55,711)	(58,248)	(716,267)	-	(3,310)	(1,396)	(165,555)	(51,401)	(1,075,597)
Depreciation on disposals	-	6,000	-	99,627	-	-	-	-	306	105,933
Closing net book amount	393,343	2,078,421	381,208	4,621,798	-	9,718	1,697	623,985	157,961	8,286,356

At 31 March 2018

Cost	393,343	2,550,897	1,011,357	11,141,993	-	70,115	33,737	1,615,425	1,151,978	228,102	17,803,604
Accumulated depreciation	-	(472,476)	(630,149)	(6,520,195)	-	(60,397)	(32,040)	(991,440)	(994,017)	(209,877)	(9,517,248)
Net book amount	393,343	2,078,421	381,208	4,621,798	-	9,718	1,697	623,985	157,961	18,225	8,286,356

The cost of fully depreciated assets in use at the balance sheet date amounted to USD 4,410,598



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

5 Non-financial assets and liabilities (Contd)

(a) Property, plant and equipment (Contd)

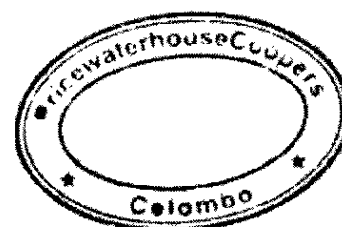
(iii) Carrying amounts that would have been recognised if land and buildings were stated at cost

If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows

	Land	Building	Total
At 1 March 2016			
Cost	237,579	2,171,457	2,409,036
Accumulated depreciation	-	(324,937)	(324,937)
Net book amount	237,579	1,846,520	2,084,099
Year ended 31 March 2017			
Opening net book amount	237,579	1,846,520	2,084,099
Additions	-	29,041	29,041
Disposals -cost	-	(1,348)	(1,348)
Disposals -accumulative depreciation	-	-	-
Depreciation charge	-	(40,013)	(40,013)
Closing net book amount	237,579	1,834,200	2,071,779
At 31 March 2017			
Cost	237,579	2,199,150	2,436,729
Accumulated depreciation	-	(364,950)	(364,950)
Net book amount	237,579	1,834,200	2,071,779
Year ended 31 March 2018			
Opening net book amount	237,579	1,834,200	2,071,779
Additions	-	33,864	33,864
Depreciation charge	-	(46,300)	(46,300)
Closing net book amount	237,579	1,821,764	2,059,343

(b) Capital work-in-progress

	Group 2018	Company 2018	2017
At 1 April	47,618	47,618	33,381
Expenses incurred	819,281	803,486	14,237
Acquisition of business	38,466	-	-
Transferred to property, plant and equipment	(742,396)	(734,320)	-
Transferred to intangible assets [Note - 5(c)]	(40,549)	(40,549)	-
At 31 March	122,420	76,235	47,618



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

(c) Intangible assets

Non-current assets	Group			Company	
	Goodwill	Computer software	Total	Computer software	Total
At 31 March 2016					
Cost	-	55,987	55,987	55,987	55,987
Accumulated amortisation	-	(50,972)	(50,972)	(50,972)	(50,972)
Net book amount	-	5,015	5,015	5,015	5,015
Year ended 31 March 2017					
Opening net book amount	-	5,015	5,015	5,015	5,015
Additions	-	8,999	8,999	8,999	8,999
Amortisation charge *	-	(5,438)	(5,438)	(5,438)	(5,438)
Closing net book amount	-	8,576	8,576	8,576	8,576
At 31 March 2017					
Cost	-	64,986	64,986	64,986	64,986
Accumulated amortisation	-	(56,410)	(56,410)	(56,410)	(56,410)
Net book amount	-	8,576	8,576	8,576	8,576
Year ended 31 March 2018					
Opening net book amount	-	8,576	8,576	8,576	8,576
Additions	-	33,773	33,773	33,773	33,773
Acquisition of business	-	1,285,667	1,285,667	-	-
Amortisation charge for acquired subsidiary	-	(1,225,004)	(1,225,004)	-	-
Transfers from CWIP (Note 5(b))	-	40,549	40,549	40,549	40,549
Amortisation charge *	-	(77,875)	(77,875)	(33,893)	(33,893)
Closing net book amount	-	65,686	65,686	49,005	49,005
At 31 March 2018					
Cost	-	1,424,975	1,424,975	139,308	139,308
Accumulated amortisation and impairment	-	(1,359,289)	(1,359,289)	(90,303)	(90,303)
Net book amount	-	65,686	65,686	49,005	49,005

* The total amortisation expense is included under administrative expenses

(i) Amortisation methods and useful lives

The Company and the Group amortises intangible assets with a limited useful life using the straight-line method over the following period

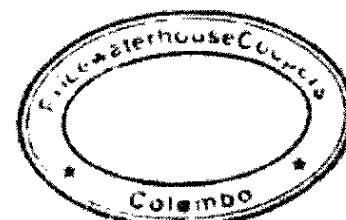
- Computer software 2 years - 4 years

See note 18(ii) for the other accounting policies relevant to intangible assets and note 20(f) for the Group's policy regarding impairments

(d) Investment in subsidiaries

	Group 2018	Company 2018	2017
At 1 April	-	-	-
Additions	-	100,000	-
Disposals	-	-	-
At 31 March	-	100,000	-

See note 11 and 12 for other information regarding the investments in subsidiaries



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

5 Non-financial assets and liabilities (Contd)

(e) Inventories

	Group 2018	Company 2018	2017
Current assets			
Raw materials	4,238,235	1,758,051	2,910,801
Work in progress	1,497,580	486,426	915,189
Finished goods	3,066,973	1,583,413	1,372,703
Goods in transit	1,109,859	302,094	237,418
Provision for impairment	(2,013,128)	(817,069)	(862,492)
	7,899,519	3,312,915	4,573,619

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs.

(ii) Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 March 2018 amounted to 32,131,280 in the Group and 19,777,231 (2017 – 16,735,515) in the company. These were included in cost of sales and cost of providing services.

Write-downs of inventories to net realisable value amounted to 853,566 (2017 – 1,410,890) in the Company. These were recognised as an expense during the year ended 31 March 2018 and included in 'cost of sales' in profit or loss.

Reversal of previous inventory write-down is amounted to 798,388 in the Group and no reversal in the Company (2017- 23,946). The amount reversed has been included in 'cost of sales' in the income statement.

(iii) Inventories are stated after provision for impairment as follows:

	Group 2018	Company 2018	2017
Raw materials	1,816,910	726,781	829,521
Finished goods	196,218	90,288	32,971
	2,013,128	817,069	862,492

(iv) Movement in stock provision as follows:

	Group 2018	Company 2018	2017
Opening balance	862,492	862,492	1,196,167
Acquisition of subsidiary	1,466,044	-	-
During the year provided	1,373,159	844,756	1,107,152
Write back	-	-	23,946
Reversal	(798,388)	-	-
Write off	(853,566)	(853,566)	(1,410,890)
Exchange difference	(36,613)	(36,613)	(53,883)
Closing balance	2,013,128	817,069	862,492

(f) Deferred tax balances

(i) The analysis of deferred tax liabilities is as follows:

	Group 2018	Company 2018	2017
Deferred tax assets			
- Deferred income tax assets recognised on defined benefit obligations & inventory provisions	166,870	166,870	155,266
Deferred tax liabilities			
- Deferred income tax liabilities recognised on property plant and equipment	(335,225)	(335,225)	(281,008)
Deferred tax liabilities - net	(168,355)	(168,355)	(125,742)

Significant estimates

Deferred income taxes are calculated on all temporary differences under the liability method using the applicable tax rates as at the balance sheet date.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

5 Non-financial assets and liabilities (Contd)

(f) Deferred tax balances (Contd)

(iii) The movement of deferred tax liabilities is as follows

	Group 2018	Company 2018	2017
Movements			
At 1 March	125,742	125,742	108,207
Charged / (released):			
- to profit or loss	50,801	50,801	20,160
- to other comprehensive income	(5,204)	(5,204)	2,342
Exchange difference (note a)	(2,984)	(2,984)	(4,967)
At 31 December 2017	168,355	168,355	125,742

(a) The exchange difference represents the translation difference arising on translation of year end deferred tax liability at the closing rate

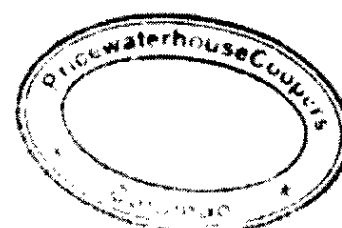
(iii) The gross movement in deferred income tax liabilities area wise during the year without taking into consideration the offsetting of balances is as follows

Group

	Property, plant and equipment	Retirement benefit obligation	Total
Movements			
At 1 April 2016	58,047	50,160	108,207
Charged / (released):			
- to profit or loss	17,343	2,817	20,160
- to other comprehensive income	-	2,342	2,342
Exchange difference	(3,828)	(1,139)	(4,967)
At 31 March 2017	71,562	54,180	125,742
At 1 April 2017	71,562	54,180	125,742
Charged / (released):			
- to profit or loss	60,727	(9,926)	50,801
- to other comprehensive income	-	(5,204)	(5,204)
Exchange difference	(2,304)	(680)	(2,984)
At 31 March 2018	129,985	38,370	168,355

Company

	Property, plant and equipment	Retirement benefit obligation	Total
Movements			
At 1 April 2016	58,047	50,160	108,207
Charged / (released):			
- to profit or loss	17,343	2,817	20,160
- to other comprehensive income	-	2,342	2,342
Exchange difference	(3,828)	(1,139)	(4,967)
At 31 March 2017	71,562	54,180	125,742
At 1 April 2017	71,562	54,180	125,742
Charged / (released):			
- to profit or loss	60,727	(9,926)	50,801
- to other comprehensive income	-	(5,204)	(5,204)
Exchange difference	(2,304)	(680)	(2,984)
At 31 March 2018	129,985	38,370	168,355



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

5 Non-financial assets and liabilities (Contd)

(g) Defined benefit obligations

Balance sheet amounts

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows

	Group 2018	Company 2018	2017
At 1 January	453,800	453,800	410,809
Current service cost	98,011	98,011	64,054
Interest expense	49,581	49,581	36,430
Exchange differences	(4,008)	(4,008)	(20,801)
Total amount recognised in profit or loss	143,584	143,584	79,683
Remeasurements loss	62,845	62,845	19,514
Total amount recognised in other comprehensive income	62,845	62,845	19,514
Benefit paid	(74,293)	(74,293)	(56,206)
At 31 December	585,936	585,936	453,800

The gratuity liability of the Group is related to the Company and it is based on an actuarial valuation carried out by Actuarial and Management Consultants (Private) Limited, based on the details provided for the year ended 31 March 2018 whose principal place of the business is located at 1st floor, 434 R. A. De Mel Mawatha, Colombo, Sri Lanka.

Significant actuarial assumptions were as follows

	2018	2017
Financial assumptions		
Discount rate	10%	11%
Future salary increase rate		
- Executive staff	8%	7.5%
- Factory staff	8%	7.5%
Demographic assumption		
Retirement age	55	55
Mortality table	A67/70 Mortality Table	A67/70 Mortality Table
Staff turn over rate		
- Executive staff	15%	15%
- Factory staff	65%	65%

The sensitivity of the defined benefit obligation (DBO) to changes in the weighted principle assumptions is

Discount rate as at 31 March 2018

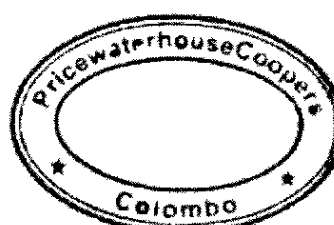
Effect on DBO due to a change in the discount rate to 9%	609,514
Effect on DBO due to a change in the discount rate to 11%	568,615

Salary growth rate as at 31 March 2018

Effect on DBO due to a change in the Salary escalation to 7%	612,356
Effect on DBO due to a change in the Salary escalation to 9%	565,614

Staff turnover rate as at 31 March 2018

Effect on DBO due to a increase in the staff turnover rate by 1%	587,937
Effect on DBO due to a decrease in the staff turnover rate by 1%	588,388



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

5 Non-financial assets and liabilities (Contd)

(g) Defined benefit obligations (Contd)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

Changes in bond yields	A decrease in high quality government bond yields will increase plan liabilities
Inflation risks	Some of the Company's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation).
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

6 Equity

(a) Share capital

Notes	2018 Shares	2017 Shares	2018 Value	2017 Value
Ordinary shares	79,629,435	42,000,001	8,956,898	3,813,329
Total share capital	79,629,435	42,000,001	8,956,898	3,813,329

(i) Movements in ordinary shares:

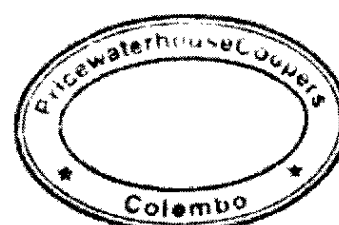
Details	Number of shares	Value
Balance at 1 April 2016	42,000,001	3,813,329
Balance 31 March 2017	42,000,001	3,813,329
Buy-back of ordinary shares	(42,000,001)	-
Issue of ordinary shares	79,629,435	5,143,569
Balance 31 March 2018	79,629,435	8,956,898

(ii) Ordinary shares

All shares issued by the Company are fully paid.

(iii) Share buy-back

The Company has bought back all its shares from Quantum Clothing Group Limited on 24 April 2017 by paying USD 4,900,000.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

6 Equity(Contd)

(b) Revaluation reserve

	Group 2018	Company 2018	2017
Balance 1 April	430,834	430,834	430,834
Balance 31 March	430,834	430,834	430,834

(i) Nature and purpose of other reserves

Revaluation surplus - property, plant and equipment

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. See accounting policy note 20(i) for details.

(c) Retained earnings

Movements in retained earnings were as follows:

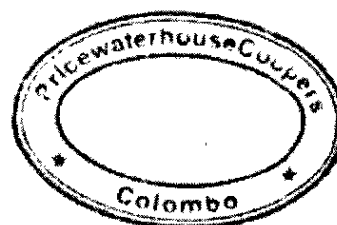
	Group 2018	Company 2018	2017
Balance 1 April	4,060,657	4,310,657	1,732,652
Net (loss)/profit for the year	(4,733,990)	974,383	2,643,353
Other comprehensive income for the year	(57,641)	(57,641)	(21,856)
Dividends	(220,556)	(220,556)	(43,492)
Distribution on buy-back of ordinary shares	(4,900,000)	(4,900,000)	-
Balance 31 March	(5,851,530)	106,843	4,310,657

7 Cash flow information

(a) Cash generated from operations

Reconciliation of profit before tax to cash used in operations:

	Notes	Group 2018	Company 2018	2017
(Loss)/profit before tax		(4,502,420)	1,205,953	3,057,037
Adjustments for:				
Depreciation on property, plant and equipment	5(a)	1,075,597	405,402	349,199
Amortisation of intangible assets	5(c)	77,875	33,893	5,438
Lease interest		-	-	21
Loss / (gain) on disposal of property, plant and equipment	2(a)	3,785	3,785	(1,095)
Gain on bargain purchase	2(a)	(857,211)	-	-
Reversal of impairment of investment		(250,000)	-	-
Provision for impairment of inventory change	5(e)	(1,150,636)	(45,423)	(333,676)
Provision for post-employment benefits - gratuity	5(g)	143,584	143,584	79,683
Interest expenses	2(c)	223,142	154,483	350
Exchange loss on deferred tax	5(f)	(2,984)	(2,984)	(4,967)
Interest income	2(c)	(24,879)	(23,562)	-
Changes in working capital:				
- Decrease in inventories		2,114,982	1,306,127	10,982
- Decrease / (increase) in trade and other receivables		15,981,458	(10,088,475)	(8,675,516)
- (Decrease) / increase in trade and other payables		(25,093,652)	(238,982)	1,870,026
Cash used in operations		(12,261,359)	(7,146,199)	(3,642,517)



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

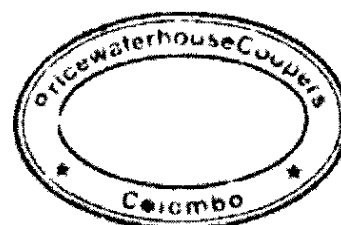
(all amounts in the notes are in US Dollars unless otherwise stated)

7 Cash flow information (Contd)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented

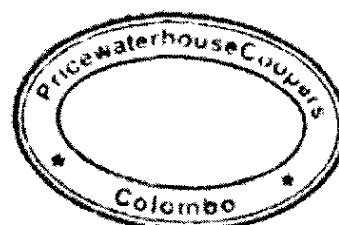
	Group 2018	Company 2018	2017
Cash and cash equivalents	1,499,281	13,138	883,753
Borrowings – repayable within one year (including overdraft)	(11,253,189)	(6,462,224)	(3,759,964)
Borrowings – repayable after one year	(5,198,210)	(5,198,210)	(4,900,000)
Net debt	(14,952,118)	(11,647,296)	(7,776,211)
Cash and liquid investments	1,499,281	13,138	883,753
Gross debt – variable interest rates	(16,451,399)	(11,660,434)	(8,659,964)
Net debt	(14,952,118)	(11,647,296)	(7,776,211)



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES**Contents of the notes to the financial statements****Risk**

This section of the notes discusses the Company's and the Group's exposure to various risks and shows how these could affect the respective financial position and performance.

8. Critical estimates, judgements and errors	30
9. Financial risk management	31
10. Capital management	34



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

8 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in notes 1 to 7 together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Estimation of defined benefit pension obligation – note 5(g)
- Estimated useful life of property, plant and equipment assets – note 5(a)

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below:

(i) Defined benefit obligation - Gratuity

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using the Projected Unit Credit method with a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit obligations include the discount rate, future salary increment rate, mortality level, withdrawal and disability rates and retirement age. Any changes in these assumptions will impact the carrying amount of defined benefit obligations.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates by the actuarial value.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in Note 5(g).

(ii) Useful lives of property, plant and equipment

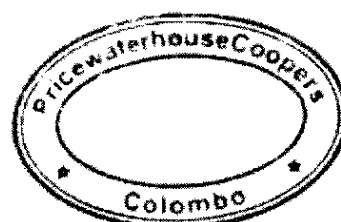
The Group reviews annually the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment.

(iii) Contingent liabilities

Determination of the treatment of contingent liabilities in the financial statements is based on the management's view of the expected outcome of the applicable contingency. The Group consults with legal counsels (lawyers) on matters related to litigation and other experts both within and outside the Group with respect to matters in the ordinary course of business.

(iv) Impairment of non financial assets other than inventories

The Group tests annually the indicators to ascertain whether non-financial assets have suffered any impairment in accordance with the accounting policy. These calculations require the use of estimates.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

9 Financial risk management

This note explains the Company's and the Group's exposure to financial risks and how these risks could affect the Company's and the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The principal financial instruments of the Company and the Group comprise of bank loans, short term deposits and cash. The main purpose of these financial instruments is to raise and maintain liquidity for the Group's operations and maximize returns on the Company's financial reserves. The Group has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

The Group is exposed to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk) and credit risk. Based on the economic outlook and the Company's exposure to these risks, the Board of the Company and the Group approves various risk management strategies from time to time.

(a) Market risk

(i) Foreign exchange risk

The Company and the Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the Sri Lankan Rupee (LKR), the British pound sterling (GBP) and the Cambodian riel (KHR) against US Dollar (USD) and to a lesser extent, the Euro (EUR). The Group's functional currency is USD in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances, trade and other receivables, trade and other payables and borrowings are denominated in foreign currencies. Foreign currencies are used to settle material suppliers and certain other expenses.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in US Dollars, was as follows:

	31 March 2018		
	USD	LKR	Others
Trade receivables	5,325,506	-	-
Bank loans including bank overdraft	9,516,684	-	-
Trade payables	2,291,177	135,530	157,117

The Company's exposure to foreign currency risk at the end of the reporting period, expressed in US Dollars, was as follows:

	31 March 2018			31 March 2017		
	USD	LKR	Others	USD	LKR	Others
Trade receivables	38,023	-	-	269,945	5,792	-
Bank loans including bank overdraft	9,516,684	-	-	9,699,964	-	-
Trade payables	981,410	135,530	9,329	2,298,066	111,324	2,715

Amounts recognized in profit or loss and other comprehensive income

During the year, the following foreign exchange related amounts were recognised in profit or loss and other comprehensive income:

Amounts recognised in profit or loss

	Notes	Group 2018	Company 2018	Company 2017
Net foreign exchange gains/losses attributed to other comprehensive expenses	10.1	267,999	267,686	224,234
Net foreign exchange gains/losses recognised in profit or loss		267,999	267,686	224,234

Capital management

The Group's policy is to ensure that the Company is able to maintain a sufficient level of liquidity to be able to carry out its business and to meet its financial obligations.

The Group's capital management policy is to ensure that the Company is able to maintain a sufficient level of liquidity to be able to carry out its business and to meet its financial obligations.

The Group's capital management policy is to ensure that the Company is able to maintain a sufficient level of liquidity to be able to carry out its business and to meet its financial obligations.

Quantum Clothing Lanka (Private) Limited

	Group		Company	
	2018	2018	2017	2017
	9,516,684	9,516,684	9,699,964	9,699,964
	9,516,684	9,516,684	9,699,964	9,699,964

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

9 Financial risk management

(a) Market risk (Contd.)

(i) Price risk

The Company and the Group are not exposed to price risk

(b) Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to customers, including outstanding receivables

(i) Risk management

Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions

(ii) Security

For some trade receivables the Company and the Group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement

(iii) Credit quality

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates

	Notes	Group 2018	Company 2018	2017
Trade receivables				
Counterparties with external credit rating				
Counterparties without external credit rating				
Group 1		-	-	-
Group 2		5,325,505	38,023	265,737
Group 3		-	-	-
Total trade receivables		5,325,505	38,023	265,737
Other receivables		2018	2018	2017
Related parties and key management personnel		2,680,896	17,049,154	6,828,078
Receivables with third parties				
Counterparty with an external credit rating of A		-	-	-
Other third parties		1,549,592	472,452	5,268,527
		4,230,488	17,521,606	12,096,705
Cash at bank and short-term bank deposits		2018	2018	2017
AA		8,796	8,796	-
AA-		20,388	814	834
A-		135	135	138
F1+		573,277	-	-
Counterparties without external credit rating		896,685	3,393	882,781
		1,499,281	13,138	883,753

Group 1 – new customers (less than 6 months)

Group 2 – existing customers (more than 6 months) with no defaults in the past

Group 3 – existing customers (more than 6 months) with some defaults in the past. All defaults were fully recovered

None of the amounts receivable from related parties are past due or impaired and repayments have been received regularly and on time historically

(iv) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified. For these receivables the estimated impairment losses are recognised in a separate provision for impairment. The Group considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or delinquency in payments (more than 30 days overdue)

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

9 Financial risk management(Contd)

(b) Credit risk(Contd)

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss with other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

(v) Past due but not impaired

As at 31 March 2018, trade receivables of 38,024 (2017: 265,738) past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2018	Company 2018	2017
Up to 3 months	5,140,746	5,140,746	215,688
3 to 6 months	144,412	38,023	45,986
Over 6 months	40,347	40,347	4,063
	5,325,505	5,219,116	265,737

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company and the Group does not hold any collateral in relation to these receivables.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. At the end of the reporting period, the Group held deposits at call of USD Nil (2017: USD Nil) that are expected to readily generate cash inflows for managing liquidity risk. Due to the dynamic nature of the underlying businesses, the Group treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Company's and the Group's liquidity reserve (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 4(b)) on the basis of expected cash flows.

(i) Financing arrangements

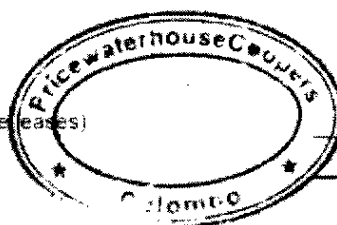
The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

	Notes	2018	2017
- Expiring within one year (bank overdraft and bill facility)	4(d)	4,318,474	374
- Expiring beyond one year (bank loans)	4(d)	5,198,210	4,900,000
		9,516,684	4,900,374

(ii) Maturities of financial liabilities

The tables below analyse the Company's and the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for understanding the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 6 Months	6 – 12 months	More than 12 Months	Carrying amount (assets)/ liabilities
Contractual maturities of financial liabilities				
At 31 March 2018				
Non-derivatives				
Trade payables	2,050,989	572,835	-	2,623,824
Borrowings(excluding finance leases)	6,099,955	2,588,195	7,763,249	16,451,399
Total non-derivatives	8,150,944	3,161,030	7,763,249	19,075,223



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

9 Financial risk management(Contd)

(c) Liquidity risk (Contd.)

(ii) Maturities of financial liabilities (Contd.)

Company

	Less than 6 months	6 – 12 months	More than 12 months	Carrying amount (assets)/liabilities
Contractual maturities of financial liabilities				
At 31 March 2018				
Non-derivatives				
Trade payables	604,034	572,835		1,176,869
Borrowings	4,599,955	2,588,194	4,472,284	11,660,434
Total non-derivatives	5,203,989	3,161,029	4,472,284	12,837,303
At 31 March 2017				
Non-derivatives				
Borrowings	3,759,964	4,900,000		8,659,964
Total non-derivatives	3,759,964	4,900,000	-	8,659,964

10 Capital management

(a) Risk management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio:

$$\frac{\text{Net debt as per note 7(a)}}{\text{Total equity (as shown in the balance sheet)}}$$

Gearing ratio as at 31 March is as follow

	Group 2018	Company 2018	2017
Net debt	14,952,118	11,647,296	7,472,211
Total equity	8,956,898	8,956,898	12,113,329
Net debt to equity ratio	167%	130%	61%

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Contents of the notes to the financial statements

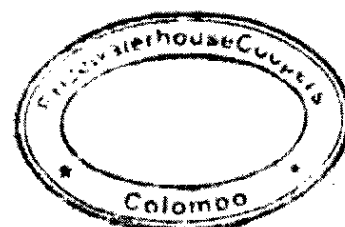
Group structure

This section provides information which will help users understand how the Group structure affects the financial position and performance of the group as a whole. In particular, there is information about

- changes to the structure that occurred during the year as a result of business combinations

A list of significant subsidiaries is provided in note 12. This note also discloses details about the Group's equity accounted investments.

11. Business combination	36
12. Interests in other entities	37



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

(all amounts in US Dollars unless otherwise stated)

11 Business combinations

(a) Summary of acquisitions

On 25 April 2017 Quantum Clothing Lanka (Private) Limited acquired 100 % of the issued share capital of Quantum Clothing Group Limited, an apparel trader and a designer and the parent of Quantum Apparel (Cambodia) Limited.

Details of the purchase considerations, the net assets acquired and goodwill are as follows:

Purchase consideration

	Group 2018
Inflow of cash from acquisition of subsidiary, net of cash paid	
Cash consideration	100,000
Less: Balances acquired	(1,938,023)
Net inflow of cash – investing activities	(1,838,023)

The assets and liabilities recognised as a result of the acquisition are as follows:

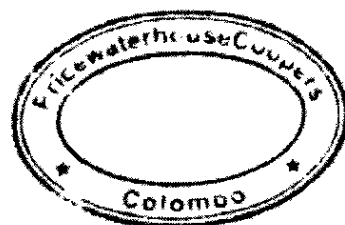
	Fair value	Total
Cash	1,938,023	1,938,023
Trade and other receivables	18,047,069	18,047,069
Inventories	4,290,246	4,290,246
Property, plant and equipment	3,632,608	3,632,608
Intangible assets	60,663	60,663
Refundable deposits	112,328	112,328
Investments	-	-
Trade and other payables	(27,123,726)	(27,123,726)
Net identifiable assets acquired	957,211	957,211
Less: gain on bargain purchase		(857,211)
Total purchase consideration		100,000

There were no acquisitions during the year ended 31 March 2017.

(ii) Revenue and profit contribution

The acquired business contributed revenue and profit to the Group as given below:

	Revenue	Net profits/ (losses)
Quantum Clothing Group Limited	52,858,000	(4,922,000)
Quantum Apparel (Cambodia) Limited	921,221,434	(1,824,450)
	974,079,434	(6,746,450)



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

(all amounts in US Dollars unless otherwise stated)

12 Interests in other entities

(a) Material subsidiaries

The Group's principal subsidiaries at 31 March 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

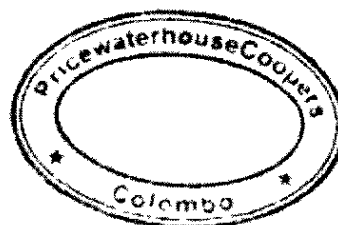
Name of entity	Place of business/ country of incorporation	Ownership interest held by the Company		Principal activities
		2018	2017	
Quantum Clothing Group Limited	United Kingdom	100%	-	Apparel trading house and designing centre

(b) Fellow subsidiaries

The Company is the ultimate parent to the below entity which is a subsidiary of Quantum Clothing Group Limited

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Company		Principal activities
		2018	2017	
Quantum Apparel Cambodia Limited	Cambodia	100%	-	Manufacturing Garments

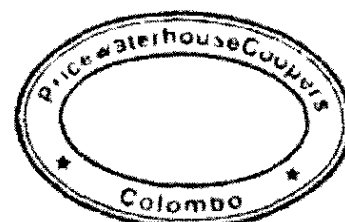
See note 20(m) for the other accounting policies relevant to investments in subsidiaries



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES**Contents of the notes to the financial statements****Unrecognised items**

This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria

13	Contingent liabilities and contingent assets	39
14	Commitments	39
15	Events occurring after the reporting period	39



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES**Notes to the financial statements**

(all amounts in the notes are in US Dollars unless otherwise stated)

13 Contingent liabilities and contingent assets

There were no contingent liabilities and contingent assets outstanding as at the balance sheet date

14 Commitments

The Group had the following lease commitments as at the balance sheet date

No later than one year

Later than one year and no later than five years

Other than the above there were no any capital commitments as at the balance sheet date

Group
2018

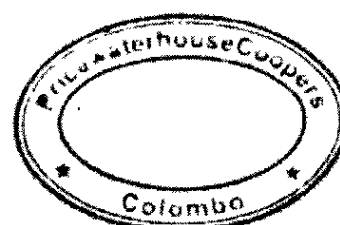
268,618

319,023

587,641

15 Events occurring after the reporting period

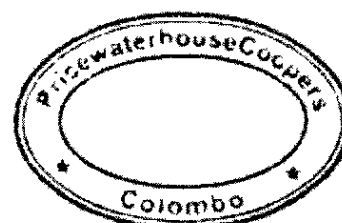
No circumstances have been arisen since the balance sheet date which would require adjustments to or disclosure in the financial statements



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES**Contents of the notes to the financial statements****Other information**

This section of the notes includes other information that must be disclosed to comply with the accounting standards and other pronouncements, but that is not immediately related to individual line items in the financial statements

16	Related party transactions	41
17	Loss/earnings per share	43
18	Dividends per share	43
19	General information	43
20	Summary of significant accounting policies	43



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

16 Related party transactions

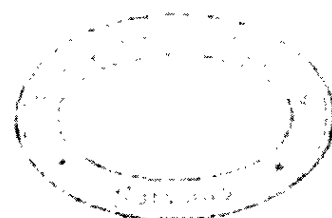
(a) Key management personnel compensation

	Group 2018	Company 2018	2017
Short term employee benefits	599,635	422,135	50,507
Post-employment benefits	21,179	21,179	-
Long term benefits	55,812	55,812	-
Termination benefits	-	-	-
Share based payments	-	-	-
	676,626	499,126	50,507

(b) Transactions with other related parties

The following transactions occurred with related parties

	Relationship	Group 2018	Company 2018	2017
<i>(i) Sales of goods and services</i>				
Quantum Clothing Group Limited UK	Subsidiary	-	28,539,024	27,798,617
Brandix Apparel Solution (Private) Limited	Affiliate	1,069,643	1,069,643	-
Incube Global (Private) Limited	Affiliate	22,108	22,108	-
<i>(ii) Raw material transfer / supply</i>				
Quantum Apparel Cambodia Limited	Subsidiary	-	(34,935)	65,645
<i>(iii) Receipt of reimbursable expenses</i>				
Quantum Clothing Group Limited UK	Subsidiary	-	5,843,528	1,413,171
Brandix Apparel Hark Limited	Affiliate	172,735	172,735	-
<i>(iv) Short term loan advanced / received</i>				
Brandix Apparel (Private) Limited	Affiliate	2,043,750	2,043,750	-
Brandix Asia Limited	Affiliate	8,040,965	-	-
<i>(v) Prepaid dues</i>				
Quantum Clothing Group Limited UK	Subsidiary	-	-	43,492
Phoenix Ventures Limited	Immediate parent	132,334	132,334	-
Mr. Brian Goveendran	Share holder / director	88,222	88,222	-
<i>(vi) Group finance loan</i>				
Quantum Clothing Group Limited UK	Subsidiary	-	-	571,928



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

16 Related party transactions (Contd)

(c) Outstanding balances arising from sales/purchases of goods and services

	Relationship to the parent company	Group 2018	Company 2018	Company 2017
<i>(i) Current payables (purchases of goods and services)</i>				
Quantum Clothing Group Limited UK	Subsidiary	-	-	3,759,590
Quantum Apparel Cambodia Limited	Affiliate	-	1,512	-
Brandix Apparel Solutions Limited	Affiliate	991,677	991,677	-
Brandix Asia Limited	Affiliate	32,287	32,287	-
		<u>1,023,964</u>	<u>1,025,476</u>	<u>3,759,590</u>
<i>(ii) Current receivables (purchases of goods and services)</i>				
Quantum Clothing Group Limited UK	Subsidiary	-	14,368,258	6,794,654
Quantum Apparel Cambodia Limited	Affiliate	-	-	33,424
Incube Global (Private) Limited	Affiliate	22,108	22,108	-
Brandix Apparel Solutions Limited	Affiliate	503,415	503,415	-
BrandM Apparel Haiti Limited	Affiliate	111,623	111,623	-
		<u>637,146</u>	<u>15,005,404</u>	<u>6,828,078</u>

There is no allowance account for impaired receivables in relation to any outstanding balances and no expense has been recognised in respect of impaired receivables due from related parties

(d) Other payable to / receivable from related parties

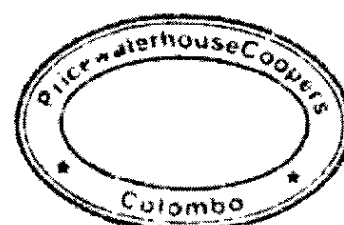
		Group 2018	Company 2018	Company 2017
<i>(i) Payable to related parties</i>				
Phoenix Ventures Limited	Immediate parent	100,000	100,000	4,900,000
Brandix Apparel Limited	Affiliate	2,043,750	2,043,750	-
Brandix Asia Limited	Affiliate	4,790,965	-	-
		<u>6,934,715</u>	<u>2,143,750</u>	<u>4,900,000</u>
<i>(ii) Receivable from related parties</i>				
Phoenix Ventures Limited	Immediate	2,043,750	2,043,750	-
		<u>2,043,750</u>	<u>2,043,750</u>	<u>-</u>

There is no allowance account for impaired receivables in relation to any outstanding balances, and no expense has been recognised in respect of impaired receivables due from related parties

(e) Terms and conditions

Transactions relating to dividends were on the same terms and conditions that applied to all shareholders

Goods were sold to related parties during the year based on the price lists in force and terms that would be available to third parties



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

17 (Loss) / earnings per share

Basic (loss) / earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of ordinary shares in issue during the year

	Notes	Group 2018	Company 2018	2017
(Loss) / profit attributable to the ordinary equity holders of the Company		(4,733,990)	974,383	2,643,353
Weighted average number of the ordinary shares in issue	6(a)	79,629,435	79,629,435	42,000,201
Basic (loss) / earnings per share (USD per share)		(0.0595)	0.0122	0.0629

18 Dividends per share

The Company declared and paid a dividend of USD 220,556 during the year (2017- 43,492). Dividend per share is calculated dividing the dividend declared by the number of shares in issue at the time of declaration, and is calculated as follows:

		Group 2018	Company 2018	2017
Dividend declared and paid to ordinary share holders of the Company		220,556	220,556	43,492
Weighted average number of ordinary shares in issue	6(a)	79,629,435	79,629,435	42,000,001
Dividend per share (USD per share)		0.0028	0.0028	0.0010

19 General information

Quantum Clothing Lanka (Private) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at: 59 Gregory's Road, Colombo 7, and the principal place of business is situated at Moragahahena, Milewa, Horana. The Company was incorporated on 9 September 1999. The Company was re-registered on 12 December 2007 and bears the registration No. PV 1423 under the Companies Act No. 07 of 2007. The principal activity of the Company is the manufacture and export of ladies garments.

Quantum Clothing Group Limited is a private company limited by shares and is incorporated and domiciled in England. Quantum Clothing Group Limited designs, sources and supplies quality apparel products to retailers in the UK and Europe.

Quantum Apparel (Cambodia) Limited is a company licensed and incorporated in the Kingdom of Cambodia and the principal activity is manufacturing underwear and related textile products for export.

20 Summary of significant accounting policies

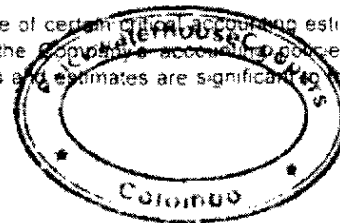
The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with IFRS

The financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards (IFRSs), which comprise International Accounting Standards (IASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). These financial statements have been prepared under the historical cost convention except for land and building financial assets and liabilities which are measured at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in note 8 to the financial statements.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(a) Basis of preparation (Contd)

(ii) New accounting standards, amendments and interpretations adopted by the Company

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 March 2017

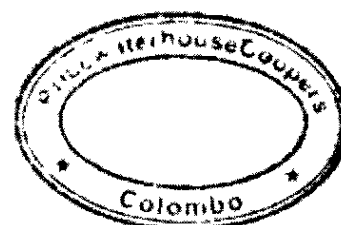
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to AS 12 and
- Disclosure initiative – amendments to IAS 7
- Amendments to SLFRS 12 Disclosure of interests in other entities

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods

(iii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below

Title of standard	<i>IFRS 9 Financial Instruments</i>
Nature of change	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It introduces new rules for hedge accounting and a new impairment model for financial assets.
Impact	<p>The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.</p> <p>There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed.</p> <p>The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. While the group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.</p> <p>The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.</p>
Mandatory application date/ Date of adoption by group	<p>Must be applied for financial years commencing on or after 1 January 2018.</p> <p>Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.</p> <p>The Group does not intend to adopt IFRS 9 before its mandatory date.</p>



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(a) Basis of preparation (Contd)

(iii) New standards and interpretations not yet adopted (Contd)

Title of standard	<i>IFRS 16 Leases</i>
Nature of change	IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Impact	The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
Mandatory application date/ Date of adoption	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

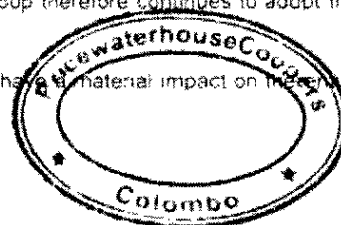
Title of standard	<i>IFRS 15 Revenue from Contracts with Customers</i>
Nature of change	IFRS 15 will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.
Impact	Management is currently assessing the effects of applying the new standard on the Company's and the Group's financial statements. The Group does not expect the new standard will have a significant impact on the revenue recognition by as the Group does not have the complex arrangements or contracts with customers.
Mandatory application date/ Date of adoption	Mandatory for financial years commencing on or after 1 January 2018. Expected date of adoption by the Group: 1 April 2018.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(v) Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Company and the Group therefore continues to adopt the going concern basis in preparing its financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company and the Group are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in United State Dollars (US Dollars), which is the Group's functional and presentation currency, since the entity uses US Dollars in majority of their transactions and it reflects the economic substance of the underlying events and circumstances relevant to the Group.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's and the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The Company and the Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's and the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The specific accounting policies for the Group's main types of revenue are explained below:

(a) Sale of goods

Revenue from the sale of goods is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are any significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate. Interest income from bank balances/ deposits is recognized as it accrues (taking into account the effective yield on the asset), unless the collectability is in doubt. Interest income from bank balances and bank deposits is recognised on accrual basis.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(d) Income tax

(i) Current tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(ii) Deferred tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(e) Leases

Leases in which substantially all the risks and rewards of ownership are retained the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain items of property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(h) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

- loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

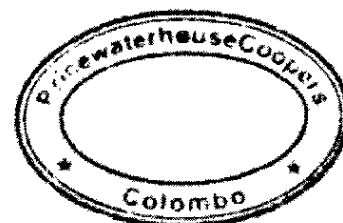
- held-to-maturity investments and

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

- available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(j) Investments and other financial assets

(ii) Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Company may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instrument, shall be measured at cost.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the statement of comprehensive income within other (losses) / gains – net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income as part of other income when the Group's right to receive payment is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses from investment securities.

(iv) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

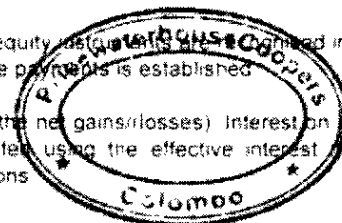
Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for financial assets at fair value through profit or loss – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income

Dividends on financial assets at fair value through profit or loss and available-for-sale equity instruments are recognised in profit or loss as part of revenue from continuing operations when the Company's right to receive payment is established.

Interest income from financial assets at fair value through profit or loss is included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method is recognised in the statement of profit or loss as part of revenue from continuing operations.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(j) Investments and other financial assets

(v) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

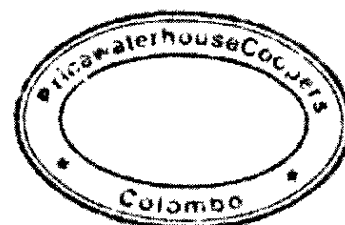
Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(vi) Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(k) Property, plant and equipment

(i) Cost

The Company adopted the revaluation model in valuing its land and building with effect from 01 April 2008 and 2014 respectively. As a result land and buildings are stated at revalued amount less accumulated depreciation on building and subsequent impairment losses and remaining classes of property plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the Group. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Cost of long term capital projects are carried forward in capital work-in-progress until the projects are completed and the related assets are available for use.

(ii) Depreciation

Depreciation is calculated on the straight line method to write off the cost of each asset to their residual values over their estimated useful lives commencing from the month in which the asset is available for use. On disposal of assets depreciation is calculated exclusive of the month in which disposal takes place.

The estimated useful lives are as follows:

	Years
Buildings	50
Lease hold improvements	10 years or life of lease if lower
Plant and machinery	7 to 10
Furniture and fittings	5 - 10
Other equipments	5
Motor vehicles	5
IT equipments	4

Land is not depreciated as it is deemed to have an indefinite life.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit.

(l) Intangible assets

(i) Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(I) Intangible assets(Contd)

(i) Computer software (Contd)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use over their estimated useful lives, which does not exceed four years

(ii) Amortisation methods and periods

	Years
IT equipment - softwares	2

(m) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered only if the rights are substantive when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

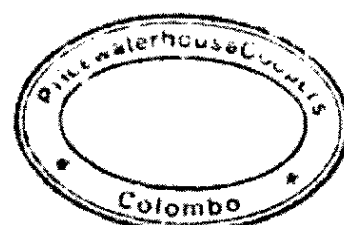
The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any Non-Controlling Interest (NCI) in the acquiree on an acquisition-by-acquisition basis, either at fair value or

Acquisition related costs are expensed as incurred

When initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in the financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Group retrospectively adjusts the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the Group also recognises additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gain or loss arising from such remeasurement is recognised in the profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or a liability is recognised in accordance with LKAS 39 in the profit or loss. Contingent consideration that is classified as equity is not remeasured and



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(m) Consolidation(Contd)

The excess of the consideration transferred by the Group, the amount of any NCI in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, NCI recognised and previously held interest measured are less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances, income and expenses on transactions between the Group's entities are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. The financial periods of the subsidiary undertakings are same as that of the Company.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised as other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Transactions with NCIs that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gain or loss on disposals to NCIs is also recorded in equity.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is power to participate in the financial and operating policy decisions of the associates but not power to exercise control or jointly control over those policies.

Investments in associates are accounted for in the separate financial statements using the equity method of accounting as allowed by amended LKAS 27 - equity method in separate financial statements which is effective for annual periods beginning on or after 01 January 2016. Under the equity method of accounting, the investment is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the post-acquisition results and

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations (legal or constructive) or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the consolidated financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. When necessary, amounts reported by associates have been adjusted to conform with the Group's accounting policies. Equity

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the statement of comprehensive income as other comprehensive income is reclassified to profit or loss where appropriate. The cost of acquiring an additional stake in an associate is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not remeasured.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(n) Trade payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within one year or less for in the normal operating cycle of the business if longer of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period, if not they are presented as non-current liabilities.

They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Other borrowing costs are expensed in the period in which they are incurred.

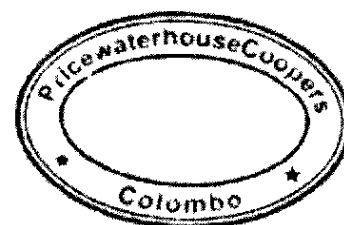
All our borrowing costs are recognised in the statement of Comprehensive Income in the period including they are incurred.

(q) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.



QUANTUM CLOTHING LANKA (PRIVATE) LIMITED AND ITS SUBSIDIARIES

Notes to the financial statements

(all amounts in the notes are in US Dollars unless otherwise stated)

20 Summary of significant accounting policies (Contd)

(r) Employee benefits

(i) Defined benefit plans - gratuity

Defined benefit plan defines an amount of benefit that an employee will receive on retirement usually dependent on one or more factors such as years of service and compensation. The defined benefit plan comprises the gratuity provided under the Act No 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using the yield rate of the long term government bonds that have terms to maturity approximating to the terms of the related defined benefit obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and included in employee benefit expense in the profit or loss.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise and will not be reclassified to the profit or loss. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Past service costs are recognised immediately in the profit or loss.

The assumptions based on which the results of the actuarial valuation was determined are included in note 17 to the financial statements.

(ii) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company and the Group contributes 12% and 3% respectively of the employees' basic or consolidated wage or salary. The Company and the Group have no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(iii) Short term employee benefits

Wages, salaries, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company and the Group.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognises termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits, and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(s) Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

(t) Earnings per share

Basic earnings per share is calculated by dividing

- the profit attributable to owners of the Company
- by the weighted average number of ordinary shares outstanding during the financial year

(o) Stated Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

